

China, Film Coproduction and Soft Power Competition

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Submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy

Creative Industries Faculty
Queensland University of Technology
2015

Key Words

China

Coproduction

Film coproduction

Soft power

Soft power competition

ABSTRACT

This thesis is a study of China's film internationalism and coproduction strategy.

International coproduction has become a new area of industry debate in regard to China's film industry. However, there has been limited scholarly attention, in both English and Chinese scholarship, paid to the activities of film coproduction between China and offshore parties.

Specifically, the research looks at three representative film coproduction cases: Hong Kong and China based on Closer Economic Partnership Arrangement (CEPA); US and China without any state-level agreements; Australia and China based on official film coproduction treaty. The broad intent of this study is to analyse the extent to which Chinese coproduction strategy functions as a form of soft power competition.

Film coproduction in China, through the transfer of human capital, technology and knowledge, has significant implications for promoting China's film 'going out', thus improving China's soft power and building a better international image. The aim is to investigate the evolution of coproduction in the film industry, the process of coproduction, the foreign film companies' strategies of adjustment to China's state policy, and the challenges that hinder the coproduction.

The contribution of this study comes in two parts: first, understanding the current environment for film coproduction in China and how foreign partners, especially those from western countries, deal with the historical, cultural, institutional and linguistic differences for coproduction. Second, it investigates the degree to which film coproduction has been to this stage a contributor to increase China's global cultural presence – its soft power.

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Statement of Original Authorship

The work contained in this thesis has not been previously submitted to meet requirements for an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Signature: QUT Verified Signature

Date: December 2015

Acknowledgement

I would like to express my deep gratitude to my supervisors Professor Stuart Cunningham, Professor Michael Keane, and Dr Ben Goldsmith for their persistent and engaging academic guidance and their help in every form of life. Without their support there would be no way I could finish my PhD. In particular, the idea of this project was inspired by Michael. In the first two and half years, Michael and Stuart contributed a formidable intelligence, acting as the kindest and greatest expert in my academic journey. Though Michael left QUT in my third year of PhD, he has been keeping giving guidance and support through email. Ben took over my associate supervision half a year ago. He is intelligent, amazingly knowledgeable in film and has been very responsible and patient to guiding me through the final stage. Stuart, who we have shared the whole arduous PhD journey together, he is always there to resolve my cloudy moments and doubts, to help me stay in the right track. Because of him, I feel more confident towards this project. I also would like to thank my overseas supervisor Prof Li Huailiang in Communication University of China, who not only has given me valuable advice on my research, but has also been a very good friend and life mentor.

Big thanks to my parents and grandparents for being there for me all the time. The opportunity of doing a PhD could not have been possible without my parents' hard work and their selfless dedication to support my study. I remain forever grateful to all my PhD fellows and friends at QUT: Wilfred, Yali, Jiajie, Avi, David, Jana, Meg, Linley and many others. Special thanks to Prof Brian Yecies (University of Wollongong), Dr Elaine Zhao (UNSW) Associate Prof Jack Qiu (CUHK), Prof Anthony Fung (CUHK) for those intellectually stimulating conversations we have had. Thanks very much to the CI HDR team for their administrative support. I very much appreciate the interviewees from industry and government who gave valuable support to my research, including Allen Wang, Nick McCallum, Lynda Woods, Wan Long which I won't fully list here.

To those close friends outside of QUT, thank you so very much for your love, accompany and encouragement. Love you always. Last but not least, this thesis was prepared with the help of professional copy editor Stephen Thompson. I acknowledge and am grateful for his effort.

Introduction

The rise of China in the past 30 years is notable in modern history. For Australia (and for much of the world), China's growing economic, political, and military force is the 'most geopolitically significant development of this century' (Australia in the Asian Century White Paper 2012). Undoubtedly, it is the dominant global force in manufacturing; however, the 'world factory' model has led to many problems, such as pollution. The Chinese government is now seeking ways to develop beyond China's manufacturing dominance toward a greater exercise of 'soft power'.

Joseph Nye, the leading theorist of soft power, identifies three main sources for a country to create soft power (attractiveness): its culture, its political values and its foreign policies (Nye 2002:11). The Chinese government has been exercising its soft power through various strategies. These strategies include directly investing substantial amounts into Africa and Latin America; providing humanitarian aid around the world; establishing global media news services and Confucius Institutes; promoting the idea of the China Model (Yan 2013); supporting a variety of exchange programs; organising countless exhibitions, Chinese cultural programs, festivals, holding and founding multilateral institutions and forums (Kurlantzick 2006; Zheng 2009). At the beginning of 2013, a non-profit organization – China Public Diplomacy Association (CPDA) - was established to mobilize and coordinate 'social resources and civilian efforts' towards the goal of 'promoting China's soft power', according to Li Zhaoxing, the chairman of the Foreign Affairs Committee of China's National People's Congress (Keck 2013).

China's soft power projection and effectiveness is a complicated subject. Some argue that China's investment in soft power has had little return as its top-down schemes are normally interpreted as propaganda (Nye 2012a). Some even go further to predict that China's charm offensive is doomed to fail based on points like the Chinese government's censoring of media and Internet access and its ability to tolerate (much less cultivate) 'cultural ambassadors' (Keck 2013). Others see China in an attractive light through the lens of Africa, Latin America, Eastern Europe and parts of Asia, where the popular impression of China might be seen as 'a welcome partner' or 'a trusted long-time ally' (Moss 2013). In contrast, the general perception of the West, where China lacks soft power in North America, Western Europe and parts of Asia, is that China tends to be a bad news source for everything from smoggy air to

its repression of dissidents, to its venal politics, to its apparent strangeness (Moss 2013). As Shambaugh (2013) points out: China did go global, but only partially.

Lee Kuan Yew, the first Prime Minister of Singapore (2011, cited from Shambaugh 2013: 1) says: 'it is China's intention to be the greatest power in the world'. China's ambition of becoming the 'greatest power' is obviously not limited to hard power, such as economics and military, but also to soft power. The 17th Chinese Communist Party (CCP) conference (October 2011) emphasized the issue of culture and declared that it was a national goal to 'build our country into a socialist cultural superpower' (Shambaugh 2013:207-208). The connotation with Chinese soft power has some differences with Nye's original approach, as will be discussed in Chapter One. My discussion of soft power in this thesis is grounded within a specifically cultural perspective.

The 21st century is already being called the Asian century; a time for Asia to be culturally powerful. While Japan and Korea have become culturally significant beyond their borders, China has lagged behind. *Gangnam Style* and *Hello Kitty* are popular around the world but China has struggled to exert cultural influence regionally and globally. In this thesis I argue that film coproduction can function as a contributor to moving from the current situation of relative weakness to what China claims it plans to become, 'a strong cultural nation' (Li 2014). With the extraordinary growth of the Chinese cinema box office in the past few years we have seen an unprecedented rise in collaborative screen production opportunities. These have facilitated transfers of human capital, technology and knowledge between Chinese, Korean, Taiwanese, Hong Kong, European, Australian and US media entrepreneurs and companies. However, there has been limited scholarly attention paid to the activities of film coproduction between China and foreign parties. There are few academic studies in English: Aynne Elizabeth Kokas's PhD thesis (2012) *Shot in Shanghai: Sino-US Media Coproduction in the Post-WTO Era* and Wendy Su's PhD thesis (2013) –*China's Encounter with Global Hollywood from 1994 to 2012 – Cultural Policy, Film Industry and Postsocialist Modernity*, Frances (Xiao-Feng) Guo's PhD thesis (2013) *China's Nationalism and Its Quest for Soft Power through Cinema* partly deal with film coproduction in China.

This thesis studies the history and current dynamics of Chinese film coproduction, examining the incentives and challenges for select countries to coproduce with China. It develops three detailed case studies: China-Hong Kong, China-US, and China-Australia coproductions. In the context of the current wave of 'soft power competition' (Chua, 2012), the broad purpose

of this study is to analyse the extent to which Chinese coproduction strategy functions as a form of soft power competition. The concept of soft power has been the subject of significant academic and policy debate, but primarily in the field of international relations. This research project joins the small amount of scholarship (Sun 2015, 2010; Curtin 2007, 2015; Keane 2013, 2015; Chua 2012; Stanley 2015; 2011; 2010) which focuses on popular entertainment media as a crucial vehicle for soft power objectives. The research questions that this thesis will seek to answer are: what is the place of film coproduction in Chinese soft power strategies and ambitions? What form can a critical evaluation take in assessing the degree to which soft power objectives have been achieved in China's film coproduction activities, with a focus on the past decade? Given they face complexity, bureaucracy and active censorship in dealing with China, what are the diverse motivations of non-Chinese makers to coproduce with Chinese filmmakers?

1. Soft power

Soft power is a concept that was coined by Joseph Nye in 1990 to describe a nation's capacity to exert influence through foreign policy, political values and culture (Nye 1990). China's soft power model places heavy emphasis on culture. As I will discuss later, China has made a strong effort to develop the concept of soft power by playing to its supposed strength: a long cultural history. This is quite different from the concept of soft power developed by Nye, where the emphasis is more on diplomacy. Nye has kept an eye on China's soft power development. In 2005, he complimented China's attractive traditional culture and noted that China was 'entering the realm of global popular culture as well'. However, Nye critically pointed out that 'China's soft power still has a long way to go', it doesn't 'have cultural industries like Hollywood' (Nye 2005a:11). Later, in 2012, he called attention to the deficit of China's soft power, especially when its economy and military are growing, something that alarms neighbouring countries. 'If a country can also increase its soft power of attraction, its neighbours feel less need to balance its power', he said (Nye 2012b: 13).

This sense of the importance of soft power – and specifically cultural soft power – in mitigating political tensions and anxieties about China's activities and intentions in the region and around the world, has also been recognised by the Chinese government. In 2011, former

President Hu Jintao pointed out that the overall strength of China's culture and its international influence did not match China's international status. Hu said: 'The international culture of the West is strong while we are weak' (Hu 2011). In 2006, five years after China joined the WTO, Ministry of Culture officials expressed concern about a 'cultural trade deficit' (Keane 2007) – that is, more cultural goods and services are imported into China than exported from China to other countries. Although China is a colossus in the export of manufactured goods, its cultural exports are extremely small by comparison. More importantly, over forty per cent of China's cultural exports in 2012 were designed by businesses outside China, including those based in Hong Kong and Taiwan (Keane 2013). In other words, China, to some extent, is still the low-cost processing centre for advanced economies in many forms of cultural production, such as the subcontracting businesses existing in China's animation and post-production sectors, rather than the origin or source of cultural products that are consumed around the world.

The Chinese government has introduced many regulations to support the development of cultural industries in order to make these 'pillar industries' (*zhizhu chanye*). The Minister of Culture, Cai Wu announced that 'we aim to establish a batch of world-famous cultural brands' (cited in Shambaugh 2013: 209). There is no doubting the significance of cultural industries in China. They generate high level debate and they embody China's cultural achievements. It is obvious that China has great ambitions to become a more dominant player in global cultural trade, to compete with Japan, Korea and even the US, to rebrand Chinese culture and to make it more attractive to foreign investors, regional audiences and China's own population.

However, according to Shambaugh (2013: 266-267), a professor of political science and international affairs at George Washington University, 'China's soft power and global cultural appeal remain very limited'. 'In its search for status as a global power, China has discovered the importance of international image and soft power. But, in this arena too, we witness a large and growing number of China's cultural activities abroad – but very little influence on global cultural trends' (Shambaugh 2013:207). China's aspiration to challenge the US is regarded by one scholar as 'mission impossible' (Sun 2010). Chua (2012) has used the term 'soft power competition' to reflect relative cultural power and influences. As Chua (2012) points out, the influence of Japanese and Korean pop culture – which is soft power – has grown noticeably in the past decade. Japanese and Korean cultural exports are focused

more on elements of contemporary pop culture, rather than traditional cultural imagery, ideas and products. Japanese cool and Hallyu (or the Korean wave) have been influential in Asia and around the world. In 2012, the music video *Gangnam Style* went viral on YouTube globally. By contrast, some commentators, such as Fareed Zakaria, argue that China is unlikely ever to come up with such a global pop phenomenon style (Zakaria cited in Joustra 2012). Moreover, in China, a school of conservative scholars, discussed in Chapter One, still ignore the value of pop culture and insist on promoting China's traditional culture as the most effective way to develop soft power; they think that the world today needs Chinese civilisation and Confucian morality. Some go even further and propose a 'Chinese model' (Yan 2013). By contrast, this thesis argues that pop culture is the critical shortcoming of China's soft power deployment and investigates whether film coproduction could be a contributor to enhancing China's global cultural presence.

2. Film coproduction

Coproduction is a broad term that means a variety of types of collaborative production. In this thesis, I will discuss the several types of collaborative production between Chinese and international partners. One of the difficulties that we face in discussing coproductions with/in China is the difficulty of definitions. That is to say, the terminology used in China to discuss coproduction does not directly align with the terminology used outside China.

Outside China, we refer to 'official coproduction' and 'unofficial coproduction'. 'Official coproduction' refers specifically to those films produced by international partners that are made under the terms of a coproduction treaty or formal agreement between two or more countries. Official coproduction is also sometimes called treaty coproduction. Unofficial coproduction means any other collaborative production between filmmakers that is not made under the terms of a coproduction treaty.

In the official rules governing film production between Chinese and international partners, the general term to describe all types of collaboration is 'Sino-Foreign Cooperative Film Production' (*zhongwai hezuo dianying paishe*). In Chinese, this is often shortened to '*hepai*' or in English, 'coproduction'. The rules identifies three types of cooperative production:

- Joint production (*lianhe shezhi/hepai*) (also somewhat confusingly called official coproduction): in which both Chinese and non-Chinese partners invest in production, contribute creatively to the production and are involved in the actual production

process, both under the terms of a formal international coproduction agreement and without such an agreement.

- Assisted production (*xiezu shezhi/xiepai*): in which a foreign party bears the cost of production in China and Chinese companies are contracted to provide services to foreign filmmakers working in China.
- Entrusted or commissioned production (*weituo shezhi*): in which a foreign party bears the cost of production and contracts Chinese filmmakers to produce the film in China.

Joint production is the most important type for this thesis, because it involves the Chinese and non-Chinese partners sharing creative and financial responsibility.

All official or treaty coproductions are joint productions. However, not all joint productions are treaty coproductions or official coproductions. Joint production also covers collaborations between Chinese and Hong Kong filmmakers, and Chinese and American filmmakers, as well as collaboration between Chinese and other filmmakers that are not part of a treaty arrangement. However, both in China and in American trade journals, such as the *Hollywood Reporter*, or *Variety*, these collaborations are called ‘official coproductions’. To avoid confusion, in this thesis, I will only use the term official coproduction to refer to those films that are made under the terms of a coproduction treaty between China and another country, such as Australia. When I talk about Hong Kong-Chinese, and US-Chinese coproductions, I will call them joint productions. I will discuss all of these definitions in more detail in Chapter Three.

Can Chinese soft power be developed through film coproduction? As I will discuss in later chapters, the role of film as an expression of cultural soft power has been emphasized by many policy officials in China. China’s film industry is developing rapidly under government protection. Its domestic cinema market (theatrical box office), according to an Ernst & Young report (2012), is expected to exceed that of the US in 2020. This makes working with, and in, China very attractive for international filmmakers, but it also threatens China’s proud cultural autonomy. The clear lack of international success of Chinese films does little to promote China’s cultural influence outside the mainland and thus does little to achieve China’s ambitious soft power goals. China’s soft power strategy ‘is spending billions of dollars on a charm offensive’, with an emphasis on ‘high-profile gestures’ such as rebuilding the Cambodian Parliament or Mozambique’s Foreign Affairs Ministry (Nye 2012a). Its efforts in the film industry include huge studio infrastructure developments, such as Shanghai Film

Studios, August First Film Studios (in Beijing's Fengtai district), Hengdian World Studios (in Zhejiang province) and Wuxi Studios (in Jiangsu province). These studios are capable of supporting numerous simultaneous productions. Nevertheless, the creation of film soft power needs more than built infrastructure; it needs 'soft' skills. Nye says: 'In an information age in which credibility is the scarcest resource, the best propaganda is not propaganda' (Nye 2012b:13). While billions have been invested to enable media services such as Xinhua and China Central Television to establish a global presence, the return on investment so far is minimal because the services are seen to be propaganda.

What is actually required for telling a good story to the world are 'soft' skills. As Shambaugh (2013:25-26) says, 'China has become obsessed with soft power. Where can China find it? Can it be bought?' This soft power infrastructure can't simply be bought with money, nor can it be built overnight. Coproduction, though, seems to be a good way to transfer skills and know-how and also serves as an effective way of attracting people with much needed skills to work in China. This corresponds with the third stage in Keane's timeline of cultural innovation (see Appendix). Keane (2013: 80) identified six stages of development in China's attempts to innovate in cultural and creative industries. The argument he presents is that China is moving towards collaborating more as a means of shifting away from low cost, low value production (which to date has dominated the timeline) to a higher value activity by learning and sharing knowledge. Collaboration (coproduction and various forms of sharing knowledge) is the stage following 'Standardized production' (Made in China) and 'Imitation' (import substitution, local versions and cloning).

As will be discussed in Chapter Three, in the 1990s Chinese filmmakers had not much interest in competing in world film markets. Internationalisation of production became an accepted market strategy when the Chinese government started to focus on the development of cultural industries in the early 2000s. While China's cinema has performed relatively well in recent years, much of the success can be attributed to the contribution of coproductions with Hong Kong SAR. In 2003, the signing of the Closer Economic Partnership Agreement (CEPA) between China and Hong Kong not only reclassified coproductions with Hong Kong as domestic Chinese films, but also opened 'a back door for more international participation in coproductions organized through Hong Kong' (Zhu and Nakajima 2010:33). Since then the PRC has shifted gears to become a willing collaborator with other international partners. Many companies from Taiwan, Hong Kong and Korea, US and other countries have set up in

Beijing, Shanghai, Hengdian and Guangzhou, or have entered into various models of collaboration with Chinese companies (Davis 2010).

The huge domestic market is always China's trump card. The size and growth of the Chinese box office drives producers globally to look for opportunities for coproduction in China. As China imposes a quota on foreign films, only allowing thirty-four revenue sharing films to be imported annually, coproduction is a good way to gain privileged access to China's box office. New policy settings now make this more possible. Keane says that incoming filmmakers 'bring ideas, investment, technology and know-how into China. Policy-makers are allowing these film players to generate ideas, to offer solutions to revitalise stagnant Chinese productions. The hope is that an increase in domestic quality, brought about by the infusion of creativity and technology, may counter the "cultural exports deficit" (*wenhua maoyi chizi*)' (Keane 2013: 86-87). The data on Chinese film exports in recent years are dramatic – as we can see from Chapters One, Two and Three, coproduction films have made up most of China's film exports.

As Keane observes, there are other reasons for the interest in working with/in mainland China: production in China can be a stepping stone to the global market; economic decline in Hong Kong and Taiwan content industries is driving creative migration, especially to places like Beijing and Shanghai; media production on the mainland is relatively cost effective; preferential business policies on offer plus an availability of human capital (especially technical resources) make the mainland an attractive destination (Keane 2011); market entry costs are lower than in Hong Kong, Taiwan and Korea; and the benefits of cultural proximity and shared Asian values can compensate for political differences (Keane 2013; 2015).

The investigation will look at the history of coproduction as well as new coproductions taking place and how foreign partners operate within China's restrictive film industry environment. China has also signed official coproduction treaties or agreements with Australia, Canada, France, Singapore and Italy and Belgium. Treaties with Russia, India and South Korea and the UK were signed in 2014 to seek and encourage more coproduction opportunities. This thesis will expand the discussion based on China-US coproduction and China-Australia formal coproduction in Chapters Six and Seven. There has been an increase in coproduction activity globally. In comparison to most locations, China offers new challenges such as strict censorship, government intervention, unclear regulations and underdeveloped industry mechanisms. These obstacles need to be overcome if China is to be a competitor. Much

emphasis has fallen on the term ‘creativity’. Keane believes (2013: 80) that ‘creativity needs time; however, Chinese policy makers want to fast track progress’ which leads to government intervention in the film industry. Compared to other countries’ soft power promotion, the Chinese cultural soft power push is more government-guided, as will be further discussed in Chapter One. The desire to promote culture abroad and to build a national image and an approved soft power strategy has led to strict censorship of coproduction film content.

There is a lack of academic attention being paid to film coproduction in China, especially how foreign partners operate in the film industry. The key questions include: how do foreign players adjust to changing policies? In particular, how do they confront cultural issues and political uncertainty? What is the process of working with Chinese partners to develop the overall project?

Coproductions enable the transfer of creative ideas, technology, knowledge, professional skills and management skills. As Keane points out (2013: 95), ‘as practitioners engage in collaborations the pace of learning increases as well as knowledge of markets’. An example of skill transfer is the entry of Korean companies into the Chinese film market. Yecies, Shim and Goldsmith (2011) have shown how digital intermediate (DI)¹ skills have been transferred from Korea and how they have affected the Chinese film industry. DI has become an essential process for film around the world since the mid-2000s. DI used to be ‘a cost-prohibitive service offered by a small number of US, Canadian and Australian firms working with a select group of leading Chinese directors and their big-budget films’ in China (Yecies, Shim and Goldsmith 2011: 139). Since the Beijing-based Korean DI company LOLLOL media started to collaborate with Chinese filmmakers, as well as ‘providing digital technical and file-based workflow consultation’ with lower costs, many more filmmakers have been able to utilise this process. To give another example of technology transfer: in 2012, Cameron Pace Group (CPG) built its China headquarters in Tianjin and announced it would bring 3D technology to China.

Unsurprisingly, the CEO of Dreams of the Dragon Pictures, Qiu Huashun, has emphasized the importance of transfer of knowledge in his company’s work with Cloud Atlas Productions. He said that the most important thing that he learned by coproducing the film *Cloud Atlas*

¹ ‘Digital Intermediate’ is the stage in the filmmaking process when footage is transferred from celluloid to a digital file for editing, before being transferred back to film for screening.

(yuntu 2012) with Hollywood is that ‘we have met so many of the most professional and excellent filmmakers in the world and we have learned how to produce a good film’ (Qiu 2012). Zhang Zhao, CEO of Le Vision Pictures, said that the purpose for his company in coproducing *Expendables 2* (*gansi dui 2* 2012) was to learn the coproduction process, from content to production, as well as to learn about international insurance, financial management and legal procedures (Zhang 2012). These transfers through collaboration and coproduction have had an effect on China’s film industry and have contributed to the development of China’s cultural soft power. Coproductions are necessary preconditions for these transfers to occur regularly and extensively. This thesis will not focus on documenting these transfers, although this is a worthy subject for future research, rather it will focus on studying the preconditions, through three representative case studies.

Sino-Hong Kong collaboration has the longest history. We will see how the mainland film industry has benefited from coproductions with Hong Kong. Hong Kong directors moved north together after CEPA and not only brought capital but, more importantly, contributed to a transfer of knowledge, skills and know-how – soft skills – to the mainland film industry. This case represents coproduction based on a long-standing relationship of cultural proximity and this has facilitated the coproduction process. However, China-Hong Kong collaboration is still a fraught relationship with ongoing distinct cultures. In such a relationship, the Hong Kong filmmakers compromise with censorship regulations and adapt to the mainland market. By examining Peter Chan’s case, I argue that this led to the development of the Hong Kong film industry while simultaneously accelerating the demise of the cultural identity of Hong Kong films.

The Sino-US case represents the most challenging environment in coproduction. The US has the world’s most dominant film industry. In this thesis, we will see how the US has tried to test the attitude of the Chinese film authority and play with coproduction rules, hoping to gain more market return with less sacrifice, which has led to the fake coproduction phenomenon. The CEO of Le Vision Pictures, Zhang Zhao, said: ‘coproduction with Hong Kong has promoted the development of domestic film for the past ten years; the coproduction with US will support us for fifty years in the future’ (Zhang 2012:54). Chinese filmmakers want to learn from Hollywood and make use of its global distribution system. The Chinese government wants to borrow the Hollywood ‘boat’ to send Chinese culture around the world. A precondition for soft power to become attractive to foreign audiences is in how it is

received. The acceptance of Chinese culture and elements by international audiences is therefore based on two conditions: channels to distribute these products, and the packaging and marketing of the product. The US possesses ample room for meeting both conditions. Though real coproduction between China and the US is full of challenges, it has the promise of blue sky rewards.

The Sino-Australia case represents coproduction with a small film industry, and substantial cultural difference. It is also coproduction under formal treaty. In comparison, Sino-US coproduction is less formal as no treaty has been signed, while Hong Kong is geographically part of China. This case is an illustration of the wider system at work. In this case, we will see how, in most situations, second tier Chinese filmmakers and second tier Australian players used the wider system to learn how to internationalise. However, I argue that being ‘blessed’ by government is not necessarily an indication that things will be successful. The complexity of the dual bureaucratic nature of the processes in coproduction greatly hindered the filmmakers’ creativity and freedom, which led to low output and low-profile treaty coproductions, and which speaks little for China’s soft power.

3. Methodology

The research uses a triangulating qualitative method to investigate and examine issues and central questions. There are three methodological components to this thesis’s qualitative method: document analysis, case studies and semi-structured interviews. Included was a one month fieldwork trip carried out in China to collect key primary data.

Document Analysis

Document analysis is widely used in the humanities and social sciences and also in the research of media and cultural industries (Stokes 2003:109). In this thesis, this method plays a crucial role to provide valuable primary and secondary data which helps to identify information about the state regulatory environment, the history and current situation of film coproduction fields, and the gaps in existing academic work. Many Chinese language sources were accessed due to the lack of up-to-date documents in English. These Chinese sources include Chinese policies, regulations and reports related to film; leading Chinese scholars’ writings on soft power, the film industry and specifically Chinese coproduction. While priority has been given to English literature in this thesis, the use of Chinese documents

enriches the English literature on the topic, and is one of this thesis's major contributions to knowledge.

Three types of documents are focused on:

- Official government policies and regulations introduced by State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) impacting on the sector, (Chinese and English);
- Academic works and national reports (Chinese and English). English-language reports relating to the US and Australia film industries were mainly accessed through the websites of Motion Picture Association of America, and Screen Australia online. Chinese academic articles mostly come from Chinese film journals such as *Contemporary Film (dangdai dianying)* and *Movies (dianying)* which were downloaded from CNKI (China National Knowledge Infrastructure). Chinese-language reports include The Annual Report on International Cultural Trade of China, Report on Development of China's Media, Chinese Creative Industries Report, Annual Report on Development of China's Radio, Film and Television, Chinese Creative Industries Report, International Cultural Market Report. These documents provide authoritative data on the Chinese film industry, as well as scholarly communication practice in China.
- Non-academic and informal documents from trade journals and inter-industry reports, books published by industry practitioners, promotional materials, newspapers, blogs, and websites. Because of the fast changing character of the film industry, a considerable amount of data and information has been sourced from online media, newspapers and other 'grey' channels. The variety of non-academic and informal sources in English and Chinese include Entgroup, The Hollywood Reporter, Variety, IMDB, The Diplomat, China Law Blog, Chinafilmbiz, Film Business Asia, and Screen Australia.

Case Studies

John Gerring (2006) defines case study as 'an intensive study of a single case (or a small set of cases) with an aim to generalize across a larger set of cases of the same general type'. It is a good way to develop a better understanding of a particular phenomenon or topic by collecting data from each case (Creswell, 2005, 2009). According to Yin (2003), case studies are 'the preferred strategy when how or why questions are being posed' and it allows the

researcher to keep the ‘holistic and meaningful characteristics of the real-life events’. For the purpose of my research, the case study, in Stake’s words (2003:134), provides ‘a secondary, supportive role to facilitate our understanding’ of three representative models of film coproduction and the relevant issues identified in China: (1) Hong Kong and China, based on Closer Economic Partnership Arrangement (CEPA); (2) US and China, based on no agreement; and (3) Australia and China, based on an official film coproduction treaty.

This thesis covers various types of coproduction with China based on different case studies. China-Hong Kong was chosen because this is the case with the longest history, greatest cultural similarity, and earliest access to the Mainland market. China-US was chosen because the American film industry is globally dominant, because Chinese and American cultures are not proximate, and because no formal coproduction agreement between the two countries exists. China-Australia was chosen to provide an example that extends both previous cases. Although, like the China-US case, Chinese and Australian cultures are very different, unlike the US a formal state-level agreement was signed between the two countries in 2006. There are also other good cases such as China-Korea film coproduction which is not included in this research. China-Korea film coproduction has been much more numerous and successful in comparison with China-Australia coproduction. Considering the variety of cases being chosen, the China-Korea case was not pursued because at the time of conducting research no formal agreement existed. In addition, the perspective of cultural proximity existing in China-Korea coproduction has been partly covered by the China-Hong Kong case.

Hong Kong is a Special Administration Region (SAR) of China. Hong Kong enjoys a privileged position in the process of coproduction, which can be seen from the CEPA provisions detailed in Chapter Five. The China-Hong Kong case study mostly focused on the period after CEPA (2003) is based on much academic literature and document analysis.

The US and China case consists of much secondary data from non-academic and informal sources as this case including great amount of descriptive analysis of separate films or phenomena around or after 2012 which has not been paid much attention academically in English and Chinese. The primary data comes from forums and interviews I conducted with two people from the film industry, one entertainment lawyer, and two government officials. I also attended the 2014 17th Shanghai International Film Festival during fieldwork, which gave me a chance to hear the discussions and presentations by first-tier industry people involved in Sino-US film projects. Most of them are listed in the following interview section.

China-Australian coproduction was founded on a coproduction treaty signed in 2007 and implemented in 2008. The treaty shows clearly how coproduction operates, and provides detailed rules. China-Australia film coproduction is much under-researched. Only a few academic works directly related to this area are available. Australian governmental reports and data from Screen Australia are very helpful. Not as much secondary data from informal sources can be relied on as in the case of China-US research due to the low-profile and low-output of Sino-Australia coproduction. A substantial amount of primary data was provided by attending forum and interviewing industry representatives and government officials. I conducted three interviews with one current and two former government officials, and four interviews with industry people who are currently doing treaty coproductions with China. As I was located in Australia during this research, I was able to conduct interviews with filmmakers who are currently engaged in developing an official coproduction with China. The writing about *The Stone Forest* in this thesis is all based on my interviews with the producers as well as data provided by the producers. The detailed discussion of this current treaty coproduction contributes to understand the preparation and process of a project and the bureaucratic complexities in formal coproduction.

Interviews

According to Glesne (2006), interviews are one of the most important methods in qualitative research; they are frequently used to collect in-depth expert data and get a better understanding of the participants' perspective in the research field. Interviews are mainly divided into six types: structured, standardised, semi-structured, unstructured, intensive, and the focus group. I used semi-structured interviews in my research as it is a proven way to collect effective data (Burns, 2000; Patton, 2002). It 'allows the interviewer some latitude to ask further questions' (Bryman, 2008:113). The questions being asked may not follow the guide, the researcher can 'pick up on the things said by the interviewee' (Bryman, 2008:321). Patton (2002:347) also points out that 'a combined strategy offers the interviewer flexibility in probing and in determining when it is appropriate to explore certain subjects in greater depth, or pose other questions not anticipated in the interview development'. A one-on-one semi-structured interview is the most appropriate method for allowing the interviewee to talk openly about their own experiences, ideas, perspectives, attitudes, values and feelings. In this project, thirteen one-on-one semi-structured interviews were conducted. Nine were conducted

by me alone, and four with two or three interviewers (the author, Prof Michael Keane and Prof Brian Yecies). A list of interviewees is provided as an Appendix to this thesis.

Interviews with filmmakers and producers, from an insider's point of view, shed light on the challenges in China-US and China-Australia coproduction. Interviews with government officials and lawyers provide an understanding of the larger picture, future trends, as well as why and how those challenges emerged. I identified my interview subjects through participating in coproduction-related forums in Australia and China.

Most of the interviews were conducted as face-to-face conversations in Australia or during my fieldwork trip to China. One was conducted by telephone. Most of the interviews lasted for more than the proposed time of one hour. The form of semi-structured interview was employed. I designed different questions depending on different interview subjects. Most interviewees were willing to extend the questions to talk more about their experience and professional insights. I also sometimes asked new questions depending on the answers provided. Government officials, especially Chinese officials such as Miao Xiaotian, President of China Film Coproduction Corporation (CFCC), and Xu Shujun (Susan Xu), Vice President of CFCC, were more cautious. Locations were chosen for the convenience of interviewees. All the interviewees provided permission for me to identify them in my thesis writing and future publications. All the face-to-face interviews were audio-recorded. I have kept in contact with most of the interviewees such as Wang Jun (Allen Wang)-IP & Entertainment Lawyer from Yingke Law Firm, American Chinese young producer-Wan Long, Australian producers Nicholas McCallum, Lynda Woods and Jeff Tseng. I have asked further questions through emails and Wechat (a popular mobile app for interpersonal communication developed by Tencent). These further discussions have provided useful information for me to improve the overall arguments of the thesis. For the ongoing China-Australia project *Stone Forest*, the interviewees McCallum and Woods sent me emails to update me on their progress following two formal interviews.

Industry Forums

In December 2013, I attended the APSA (Asia Pacific Screen Awards) MPA (Motion Picture Association) Film Financing Forum in Brisbane. This forum offered me a chance to hear speeches about how to conduct coproduction with China and raise finance in China, including

from the Chief Representative of the China Office for the Motion Picture Association (MPA) William Feng, the producer and president of the Film and Television Academy at Shanghai Theatre Academy, Sherwood Hu (Hu Xuehua), and Australian film producer and director Chris Brown who had just released his coproduction work with Singapore *Bait 3D* in China. While I was not able to secure interviews with these industry figures, I draw directly on their forum speeches and questions posed and answers given at these forums.

I made contacts in the Australia screen industry through this forum which laid the foundation for recruiting my interviewees especially for the China-Australia case study. One of the interviewees, Chris Oliver, then Screen Australia's Manager Partnerships, was introduced by my supervisor Stuart Cunningham.

Similarly, my attendance at the 17th Shanghai International Film Festival Forum (SIFFORUM) gave me access to up-to-date speeches, information and discussions given by the first-tier industry people involved in China-US coproduction as I mentioned above, including the CEO of Shanghai Film Group Ren Zhiqiang, Jack Gao from SVP News Corporation, the ex-manager of China Film Promotion International Zhou Tiedong, Hugo Xiong from IDG, Eben Davidson Senior Vice President from Paramount Pictures, and Jill Tandy, Executive Vice President from Universal Pictures International. I draw directly on their forum speeches and questions posed and answers given at these forums. I also attended the fourth Australia-China Film industry Forum in Shanghai in July 2014 where I was able to organise several interviews with government officials, lawyers and other industry figures.

As China's film industry and coproduction activity is developing rapidly, industry forums and interviews not only provided up-to-date information in this area, but also greatly complemented data that I could not obtain from the existing documents, and assisted in authenticating information from informal documents such as newspaper articles.

4. Thesis outline

Chapter One introduces the term 'soft power' and provides a select academic literature review of current scholarship on China's soft power that informs the study. This chapter begins with an introduction to Nye's concept of soft power. Next, I look at the origin of China's soft power and review academic literature on Chinese soft power in its various forms,

focusing on how it differentiates from Nye's original concept and emphasizes culture. I then examine the content of Chinese cultural soft power and how the government and scholars initially placed an emphasis on traditional culture as the basis of soft power. I note that the relative lack of foregrounding of Chinese pop culture is the obvious shortcoming. I review academic literature on popular culture and soft power, as well as soft power competition in the East Asian region by discussing the US's use of soft power through its entertainment industry complex. The final section looks at film as an exemplary form of cultural soft power, China's 'going out' strategy for film and how film coproduction plays a vital role in China's film export.

Chapter Two, 'China's film industry', is an overview of the Chinese film industry in the context of the rise (and decline) of East Asian film. I first look at the current state of the Chinese film industry using baseline data, and detail its distribution as well as revenue-sharing mechanisms. I then examine why the Chinese film industry appears to be booming from two perspectives: policy and financial support. Following that, I look at the import and export situation of China's film industry, which leads to the point that the size of the domestic market hides the reality of a lack of international success. The following section addresses the dark side of China's film industry and tries to answer the question why Chinese film lacks international success from two aspects: structural problems and self-imposed obstacles, such as censorship. The final section describes the major players in China and their internationalization strategies, which focuses heavily on coproduction.

Chapter Three, 'Film coproduction', begins with the inception of international coproduction. It discusses the definition of coproduction and how it works for other countries, as well as providing an academic review of its advantages and disadvantages. Next, I outline the history of film coproduction in China from the 1980s to 2010, detailing its status in the Chinese film industry and outlining current models. This chapter provides background information to show why coproduction is a viable way forward. The ensuing chapters answer the question 'how'.

Chapter Four examines the incentives as well as the complexities for Chinese coproductions. After addressing the incentives for China to engage in coproduction, it addresses the complexities including: How do foreign parties find partners in China? What are the official bodies? What are the application and approval processes? Despite the complexities and often straightforward obstacles to successfully completing coproductions with China, there remain considerable advantages. This chapter then examines coproduction challenges with China

from three perspectives: content, finance and underdeveloped industry mechanism, China's film censorship policy. The following chapters – case studies of Sino-Hong Kong, Sino-United States, and Sino-Australian coproductions – illustrate in significant detail these attractions and the obstacles.

Chapter Five, 'Sino-Hong Kong coproduction', is the first case study. Sino-Hong Kong represents the longest coproduction history and brings in the concept of 'cultural proximity' (Straubhaar 1991). I begin with a background on the Hong Kong film industry and note its decline and its need to engage with the mainland market. I outline the particular advantages enjoyed by Hong Kong in coproducing with China based on the CEPA. The chapter then examines the challenges and problems faced by Hong Kong filmmakers in past years by looking at Peter Chan's experience from Hong Kong filmmaker to Greater China filmmaker. After that, I briefly look at Johnnie To's compromise following his insistence on a Hong Kong identity. The chapter concludes with a discussion about how coproductions with Hong Kong benefit the mainland film industry, as well as prospects for internationalization. This leads to the issue of what this mode of filmmaking means for a Hong Kong film identity. I argue that Sino-Hong Kong coproduction contributes to the development of Hong Kong film while accelerating the demise of the cultural identity of Hong Kong film.

Chapter Six, 'Sino-US coproduction', represents the case of coproduction with the biggest film industry in the world. This is coproduction under conditions of 'cultural distance' rather than proximity. I begin by outlining the history of Sino-US collaboration, which can be summarised as stages of assisted production, fake coproduction and real coproduction. 'Fake' here means coproduction that does not fully fulfil the criteria that the Chinese government uses to measure whether a film can be counted as a joint production or approved as a domestic film. The following section discusses challenges based on film examples from 2012 to 2014. I argue that fake coproductions may speak even louder about Chinese soft power than real coproductions or local films. The ensuing section analyses challenges existing in joint coproduction between China and the US. In this chapter, we can see that China's soft power strategies are stretched to their limit in their dealings with the US.

Chapter Seven, 'Sino-Australia coproduction', provides the final case study. It represents coproduction with a small film industry under a treaty, but again under conditions of cultural distance. It reflects formal coproduction between nations. This chapter first looks at the incentives for China and Australia to coproduce with each other. It then details the rules of

treaty coproduction and policies on the Australian side which gives necessary background to illustrate the doubly complex nature of treaty productions, since formal treaty coproduction requires full compliance with the rules of two countries. I finally examine those films made under the treaty to demonstrate the complexity of a dual bureaucratic process.

Chapter 1 Soft power competition

1.1 Soft power

The term 'soft power' was coined and further developed by Joseph S. Nye Jr, former dean of the Kennedy School of Government at Harvard University and Assistant US Secretary of Defence. In 1990, Nye published *Bound to Lead: The Changing Nature of American Power* in which he proposed the idea of soft versus hard power. Nye pointed out that aside from 'the active command power behaviour of getting others to do what you want' there is an aspect of power which could 'get others to want what you want'. This kind of power can 'rest on the attraction of one's idea or on the ability to set the political agenda in a way that shapes the preferences that others express... the ability to establish preferences tends to be associated with intangible power resources such as culture, ideology, and institutions. This dimension can be thought of as soft power, in contrast to the hard command power usually associated with tangible resources like military and economic strength' (Nye 1990: 31-32).

Soft power, Nye later wrote, is a nation's cultural and ideological appeal beyond its borders; it is the ability to get desired outcomes through attraction instead of force (Nye, 1999: 30). In 2002, Nye developed the concept further, arguing that 'the soft power of a country rests primarily on three resources: its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority)' (Nye, 2002: 11).

Nye explained that 'power is the ability to alter the behaviour of others to get what you want, and there are basically three ways to do that: coercion (sticks), payments (carrots) and attraction (soft power)' (Nye, 2006). 'This attractiveness', as Kurlantzick (2007:5) notes, could be called a nation's brand and can be transmitted in various ways, which include 'a nation's popular and elite culture, its public diplomacy (government-funded programs intended to influence public opinion abroad), its business' actions abroad, international perception of its government's policies, and the gravitational pull of a nation's economic strength'.

For the first time, Nye proposed and elaborated the concept of soft power emphasizing the importance of using culture, political values and policy attraction to promote the development of a nation. Nye's soft power concept has been embraced enthusiastically by the Chinese

government in a manner ‘rarely seen in other parts of the world’, as Rawnsley (2012: 126) observes. Some scholars believe that the state’s enthusiasm for soft power is believed to relate to the political value of ‘peaceful rise’ that became popular among Chinese Communist Party leaders in the 2000s (Brown 2010). The concept of a ‘peaceful rise’ not only refers to the rise of economic power, but also reflects the sense of the rise of status to be a leading regional or even global player, after the long period of depredations and the relative isolation under Mao’s rule (Medeiros 2009). The emphasis on ‘peaceful’ reflects the needs to counter the negative perception of taking China’s rise as a threat to other countries (Broomfield 2003). The embrace of soft power by the Chinese government addresses the contradiction of the rise of China’s hard power and limited influence in international diplomatic and cultural fields (Ding 2008; Wang 2011; Blanchard and Lu 2012). As Cabestan (2010:3) notes ‘the key objective of this new discourse has been to change the outside perception of China for the better, and build a positive image of China’s contribution to the world’ (cited in Flew and Hartig 2014:8). Nowadays, the concept of soft power is more connected to the ‘strong cultural nation’ discourse (W. Li, 2014). As Kurlantzick (2007:6) points out, the Chinese government, and nations influenced by China, developed a broader soft power idea than Nye proposed, which I will discuss later in this chapter.

1.2 China’s soft power

In recent years, the term ‘China’s soft power’ has been regularly mentioned in Chinese policy statements and has appeared in news reports and scholarly works. Although the concept of soft power was first proposed by Nye, the idea has always been embedded in ancient Chinese ideology and culture. According to Ding (2008:24), the idea of soft power can be found in ancient Chinese philosophies; China’s dominant ideology – Confucianism – encourages a country to achieve its leading role by setting itself up as an example rather than imposing its values on others. In Confucius’ teachings, he hardly advocated the use of power, not to mention war. The thought of ‘culture winning over an enemy’ and ‘winning a battle before it is fought’ is found throughout China’s strategic culture. Another great philosopher and thinker in ancient China, Laozi, states in his masterpiece *Daode Jing* that the softest under heaven will overcome the hardest (*tianxia zhi zhirou, chicheng tianxia zhi zhijian*) (Han, 2011: 467).

The greatest strategist of China’s ancient military, Sunzi, in his famous masterpiece *The Art of War*, wrote that ‘not fighting and subjugating the enemy’s army is the supreme level of

skill' (*buzhan er quren zhi bin, shan zhi shanzhe ye*), 'the best strategy is to attack the enemy's mind rather than to attack the fortified cities' (*shangbin famou, gongcheng zhifa wei bu deyi*) (Lin, 2011). Sunzi's 'supreme level of skill' is like the concept of soft power, as currently defined. 'Influenced by these philosophies, ancient Chinese governors historically preferred to defuse security threats internally through moral government, that is, the benevolent king set a good example for his people' (Johnston 1995: 118 cited in Ding 2008:24).

Before Nye's soft power theory was formally introduced to China, the idea of soft power had a history there. One of former Chinese President Jiang Zemin's policy advisors, Zheng Bijian, stated in 1988 that 'cultural power is an important national power and is an important component of comprehensive national power (*zonghe guoli*)' (Zheng 2005). Entering the twenty-first century, with the comprehensive enhancement of China's hard power, especially the high speed development of the economy, 'Chinese decision makers and opinion leaders have paid close attention to the progress of their nation's soft power' (Li, 2008:288).

The term 'China's soft power' has been increasingly cited by political leaders, academic journals and newspapers. In 2002, the political report to the 16th Chinese Communist Party (CCP) Congress indicated that culture demonstrates a more prominent role in the competition of comprehensive national power (Jiang 2002). In 2006, former Chinese president Hu Jintao pointed out that 'the increase in our nation's international status and influence will have to be demonstrated in hard power such as the economy, science and technology, and defence, as well as in soft power such as culture' (Ma 2007:35-38). In the 17th Communist Party (CCP) Congress, Hu Jintao put forward an idea to 'promote nation's culture soft power' in a national strategic way for the first time, and pointed out that culture has become an important source of national cohesion and creativity, and an important factor for the competition of comprehensive national power (Hu, 2007).

However, the soft power mentioned by Chinese political elites is not the same as Nye's definition of soft power (Ding, 2008:28). It has its own discourse and ramifications. According to Zhang Guozuo (2011), the dean of China's culture soft power research centre in Hunan, the connotation and function of soft power should have wider scope within China, rather than only recognizing soft power as a strategy in an international political game. He emphasizes that the development of China's soft power focuses more on the improvement of China's comprehensive national power. Ding (2008:28) points out that 'Comprehensive

National Power (CNP) is notable as an original Chinese political concept with no roots in Western political theories'. It can be assessed by military, economic, political and cultural factors. He further states that the Chinese concept of comprehensive national power obviously includes not only hard power but also all the aspects of soft power mentioned by Nye. The concept of CNP is a formulaic prescription to be applied to all areas of development, not only to international success abroad but also to assist the state to govern at home.

Li (2008:288) indicates that China's soft power is not limited to Nye's specific scope: 'unlike Nye's exclusive focus on the efficacy of soft power in achieving foreign policy goals, Chinese discourse frequently refers to a domestic context, evincing a mission for domestic purposes'. Barr (2011: 81-83) also notices the connection between the domestic and international agenda of Chinese soft power and points out that Beijing's effort to promote soft power to build a national brand does 'more than merely construct and manage China's reputation, [it] also ... instil[s] loyalty to the Party brand and strengthen[s] Beijing's own legitimacy, amongst both its domestic population and international audience'. He further points out that the domestic need for soft power is to help 'the Party sustain its legitimacy and acceptance amongst China's fifty-six different ethnic minority groups' by promoting Han culture (Barr 2011; Zhu and Quan 2009) and the need 'for social justice, improved moral standards, anti-corruption measures, and the development of innovative social scientific research as a means to compete internationally' (Barr 2011; Yi 2009). Furthermore, as Keane notes, 'resisting cultural imperialism (mainly from US) was a founding plank of the Chinese Peoples' Revolution' (Keane 2015:86). It goes without saying that the best way to maintain national cultural security is probably to enhance its own culture's influence and peoples' belief in it. However, the Chinese leadership acknowledges that Chinese soft power, whether directed outwards or domestically, is not anywhere near as developed as its economic, defensive and strategic hard power. This motivates an ambitious drive to improve first domestically and regionally and then, ultimately, taking on the US. Film coproductions are part of this larger narrative.

From the government's point of view, when Chinese cultural influence is not strong enough to resist other countries' (mainly US) imperialism, the best response currently is to censor it. Although Barr (2011: 83-92) argues that those moves of 'raw state power' such as censoring its citizens by controlling access to social networking sites and retaliating against everything

the Party considers as being anti-China, actually damages Beijing's soft power. In film, Shambaugh (2013) overall view is that films critical of China can't be made, reinforcing the perception, however outdated, that China is authoritarian in cultural terms.

The other major difference between Chinese and Nye's concepts of soft power, according to Zhang (2011), is that Nye identifies equal parameters of soft power: culture, political values and foreign policy. However, China's understanding of soft power puts more emphasis on culture. Culture is the soul and frame of soft power in China, the trait of various elements of soft power depend on corresponding cultural values and intellectual thinking. In fact, Wang Huning, one of the CCP Central Committee Secretariat members who delivered the first Chinese article on soft power in 1993, argued that culture is the main source of a nation's soft power (Li, 2008:292). When many Chinese scholars and politicians mention soft power, they are actually referring to cultural soft power.

1.3 Cultural soft power and cultural diplomacy

In China, the core value of culture is embraced by Chinese leading sociologists and philosophers and is emphasized by the Chinese leadership. According to Glaser and Murphy (2009), the proposal to include soft power in the work report of the 17th CCP (Chinese Communist Party) Congress (October 2007) was submitted by the Ministry of Culture rather than the Ministry of Foreign Affairs. Soft power in foreign policy has focused on cultural policy such as establishing Confucius Institutes outside China, enhancing the influence of Chinese media in the world and promoting cultural export trade. Thus the term 'cultural soft power' appears frequently in Chinese official documents and scholarly works.

When we speak of culture we are often referring to many things. According to Raymond Williams (2011:76), 'culture is one of the two or three most complicated English words'. He summarizes three general categories for the definition of culture. First, the 'ideal', refers to 'a state or process of human perfection'; second, 'documentary', means 'the body of intellectual and imaginative work'; and third, the 'social', in which culture is a description of a particular way of life (Williams, 1961:57). The American anthropologists Kroeber and Kluckhohn have listed 165 different definitions of culture (Kroeber and Kluckhohn 1952 cited in Gao 2006).

Culture in China, however, has a more established base. In relation to the meaning of culture in the concept of cultural soft power, a prominent Chinese scholar from Peking University, Wang Yichuan (2011:30-31), writes that culture is the value system and is a symbolic form of

social lives, including institutional systems, behaviour systems and knowledge systems; and more detailed fields such as myth, religion, language, history, science and arts. Wang believes that the connotation of culture, defined from this perspective, is in accordance with the 'cultural' in the term 'national cultural soft power' as used by Chinese leaders.

Unlike Chinese soft power, which has both an inward- and an outward-facing dimension, soft power internationally tends only to have an outward focus. The Chinese understanding of soft power as intrinsically cultural equates with what is sometimes termed 'cultural diplomacy' (Flew and Hartig 2015:6-9). Cull (2008:32-35) describes the functions of cultural diplomacy as promoting a nation's cultural resources overseas and /or facilitating cultural transmission abroad. Flew and Hartig (2015:8) argue that 'China has invested heavily in cultural diplomacy over the last decade through arts and cultural exchanges, Confucius Institutes' and many other forms. Sun (2015:403) argues that media-dependent public diplomacy should be seen as 'one facet of cultural diplomacy'. She notes that limited attention has been paid to the media domain in discussions of cultural diplomacy, despite the fact that cultural diplomacy is principally pursued through media. This thesis exemplifies this fact through its attention to the outward direction of China's soft power through film coproduction. There have been long academic debates on which kinds of cultural expression and cultural production should be the core of China's soft power. The following section will briefly discuss the current scholarly debate in this regard.

1.4 The content of China's cultural soft power

When Nye defines culture as a source for soft power, he mainly refers to contemporary popular culture. Hollywood films are mentioned by scholars as tools to softly affect the world. Mathew Fraser (2003) in his book *Soft Power and American Empire* characterises American movies, television, pop music and fast food as 'awesome weapons of mass distraction'. Nye and Kennedy (2004: 711-713) reviewed this book and agreed with Fraser's arguments about the soft power of popular culture.

By contrast, some Chinese scholars have regarded traditional culture as 'always the most reliable soft power resource' (Ding 2008: 29). For example, Cheng Yugang (cited in McGiffert 2009) believes that not only will China's ancient history and traditional culture attract those neighbours who share the same Confucian heritage in Asia, but they are also tremendous attractions for Western countries. From my point of view, one of the reasons for

China's soft power being massively underdeveloped compared to its hard power is due to Chinese traditionalists' adherence to the idea of over-emphasizing the importance and attraction of China's traditional culture and values to other nations. Some scholars hold the view that Chinese traditional values are 'people oriented' (*yi ren wei ben*). The theory that humans are an integral part of nature (*tian ren he yi*), harmony in diversity (*he er bu tong*) and so on, could be a good approach to solving global problems such as poverty, environment deterioration, ethnic conflicts and so on (Glaser and Murphy 2009:14).

In China, many scholars and political leaders focus on glorifying traditional culture and history, and are eager to build social values based on such traditional culture. For example, Gan Yang, a leading Chinese scholar who has worked at many universities in China, including Peking University and Qinghua University, and is regarded as a representative of China's New Left (2005), states that so-called soft power depends on what you have, and China's splendid traditional culture provides the basic resources of cultural soft power. Yet Kang Xiaoguang (2014), Professor of Renmin University of China, argues that the key for building China's soft power is 'cultural reconstruction', the reconstruction of value systems, moral systems and political philosophy in China. According to Kang, the weakness of China's soft power stems from a lack of core values. In the case of China, its traditional culture is a core value, and since Confucianism is the core philosophy of China's traditional culture, so he proposes making Confucianism the state's religion. Based on this kind of ideology, the Chinese government established around 350 Confucius Institute (CIs) in over 100 countries all over the world (Churchman, 2011). Their main task is to spread Chinese language and traditional culture and values. Barr (2011) hails the setting up of Confucius Institutes, but points out that people outside China find it hard to believe the traditional Chinese values of harmony and peace when they witness the problems China is confronted with today, such as territorial disputes, corruption and environmental damage.

'Great powers try to use culture and narrative to create soft power that promotes their national interests, but it is not an easy sell when the message is inconsistent with their domestic realities', Nye (2012b:13) also observes. I have no intention of denying creative industries' effect on promoting China's soft power internationally. What I would like to call attention to in this thesis is the importance of pop culture in exercising soft power, which the government and academy have paid less attention to in past decades. As Nye (2005b:41) notes, 'narrow values and parochial cultures are less likely to produce soft power. The United

States benefits from a universalistic culture'. As will be further discussed in the following section, though the traditional and old Chinese philosophical values are full of wisdom, they really need to be translated into modern and pop language that non-Chinese people are able to read and understand. For example, the film *Avatar* (*a fan da* 2009) is far more effective in rousing people's awareness of human and nature than the mechanical expounding of Confucius's *tian ren he yi* in classrooms.

In regard to the content of the media field which my thesis mainly focuses on, Shambaugh (2010:6) notes that China has spent a reported \$8.7 billion from 2009-2010 on its 'external publicity work', mainly on the Big Four: China Central Television (CCTV), China Radio International (CRI), Xinhua News Agency and the China Daily newspaper. Although these media are penetrating into the developing world and becoming the major sources of news for many people in Africa by 'marketing a cheaper news report' (Shambaugh 2010:6), they hardly affect countries in which China seeks to compete with the likes of the US, Korea, and Japan. In terms of China's domestic media products, Keane (2012) points out that there remains a focus on historical productions. However, 'the successes of Japan, Korea have come not from the historical themes but from pop culture and stories of modern life'. He further indicates that if China keeps making historical epics and kung-fu, stereotypes of China will just be reinforced. There is one obvious reason for those producers to make historical productions. Those productions, which reflect Chinese history and traditional values, are much more likely to gain a licence from The State Administration of Radio, Film and Television², China's chief broadcast regulator (Keane 2012).

The former Chinese president Hu Jintao (2011) said that China's cultural soft power should be enhanced to match China's international status. The Chinese government has funded many projects all over the world to establish Confucius Institutes to promote Chinese language and traditional culture. However, Joshua Kurlantzick (2007:229) points out that 'Although Chinese-language studies and Chinese culture have become more popular, they remain no match for American popular culture. The United States stands as the biggest source of film, television, popular music, and fiction and non-fiction books'. The development of China's popular culture is the obvious shortcoming of cultural soft power.

² The MRFT changed its name to State Administration of Radio, Film, TV (SARFT) in the institutional reform of the State Council in 1998. The SARFT incorporated with The General Administration of Press and Publication in 2013. The name also has been changed to State Administration of Press and Publication, Radio, Film, TV (SAPPRFT).

Just as the concept of culture itself is complex, it is also hard to precisely define popular culture. It contains all the basic characteristics of culture and also implies its own peculiar nature (Storey. 1997:1). In addition, Bennett (1980: 18) points out that it is useless to seek a precise definition of popular culture because it always leads to a very vague and even confusing concept. Popular culture includes fashion, consumer culture, popular lifestyle, popular taste, urban culture, sub-culture, media culture and so on. Gao Xuanyang (2006) states that more than one hundred years ago, confronted with the basic structure of classical capitalism, Marx reached the conclusion that commodity is the general form of society. However, today we might say that popular culture is the general form of society.

In Chinese, popular culture can be translated variously as *liuxing wenhua*, *dazhong wenhua* or *tongsu wenhua*. Dai Jinhua (2012: 127-133) prefers to use the term *dazhong wenhua*, which literally means mass culture, and formerly meant official state culture for the masses, but has come to mean mass culture in the critical Frankfurt School sense. She points out that *dazhong wenhua*, ‘characterized by commodities, consumption and amusement, was actually consumed by minority groups (the new Chinese middle class)’ when it was introduced to mainland China in the 1990s. When the internet was introduced in China in the mid-1990s, many products gradually become ‘mass’ or ‘popular’ in China. These products, according to Dai, included ‘Hollywood movies, pubs, cafes, lofts, magazines introducing luxurious lifestyles and computer games’.

Stuart Hall (1994) proposed that popular culture encompasses the daily life of the mass; it is a concept that contrasts with high culture or elite culture. Nye (2005b:41) also says that ‘it is common to distinguish between high culture such as literature, art, and education, which appeals to elites, and popular culture, which focuses on mass entertainment’. Hall (1994) further suggests that pop culture be used to indicate commercially-produced, profit-driven, media-based mass entertainment, which is part of popular culture (Hall: 1994). Thus conceived, pop culture should include fields like film, TV, pop music, online games and animation, and so on. However, most scholars do not distinguish between popular culture and pop culture. Popular culture and pop culture can be literally translated into *liuxing wenhua* in Chinese. When most scholars use the term *liuxing wenhua*, they actually refer to pop culture according to Hall’s definition. This could be proved by leading Chinese arts scholar Jia’s definition of *liuxing wenhua*. Jia states that *liuxing wenhua* is a kind of cultural art form that

includes film, TV, pop music, song and dance that was spread by mass media (Jia:2012). In this thesis, I also will not focus on precisely distinguishing and using these two words.

The poet Carl Sandburg appraised the value of popular culture by saying that ‘all movies good or bad are educational and Hollywood is the foremost educational institute on earth... What, Hollywood’s more important than Harvard? The answer is, not as clean as Harvard, but nevertheless, farther reaching’ (quoted in Johnston 2000: 20). He also vividly described the penetration and influence of pop culture saying that as early as 1989, before the Berlin Wall was demolished; it already had a hundred holes created by western TV and film. Keane (2012) states clearly that the way for China to best deploy soft power, would be to shift its focus from traditional culture towards more contemporary popular culture.

Jia (2012) states that cultural soft power is not only about the inner power of one kind of culture, but it is also about the power of that culture to be accepted by others. Jia argues that traditional culture is important and powerful, but it is not easily appreciated by non-Chinese people. Pop culture, on the other hand, often more easily travels across borders. Jia further argues that although not all pop culture can usefully be deployed as a form of soft power, the forms which will make the most powerful contribution to the exercise of soft power will come from pop culture rather than traditional culture. However, China currently lacks pop culture like Hollywood movies, Japanese anime and British jazz. To remedy this, he suggests that China’s cultural products should draw from pop culture. I agree with Jia’s statement, though this challenges the Chinese saying: ‘yueshi minzu de, yueshi shijie de’ ‘what is of national is of international /the more national, the more of the world’ or ‘what is culturally distinctive is worldly’. In my view, following Jia, what is culturally distinctive, eg, China’s Peking Opera, can be made worldly by incorporating pop culture elements. This will make it more acceptable for audiences in other nations. On the other hand, what is worldly can be made culturally distinctive. For example, animation is universal, but anime (Japanese animation) is culturally distinct and easily accepted internationally.

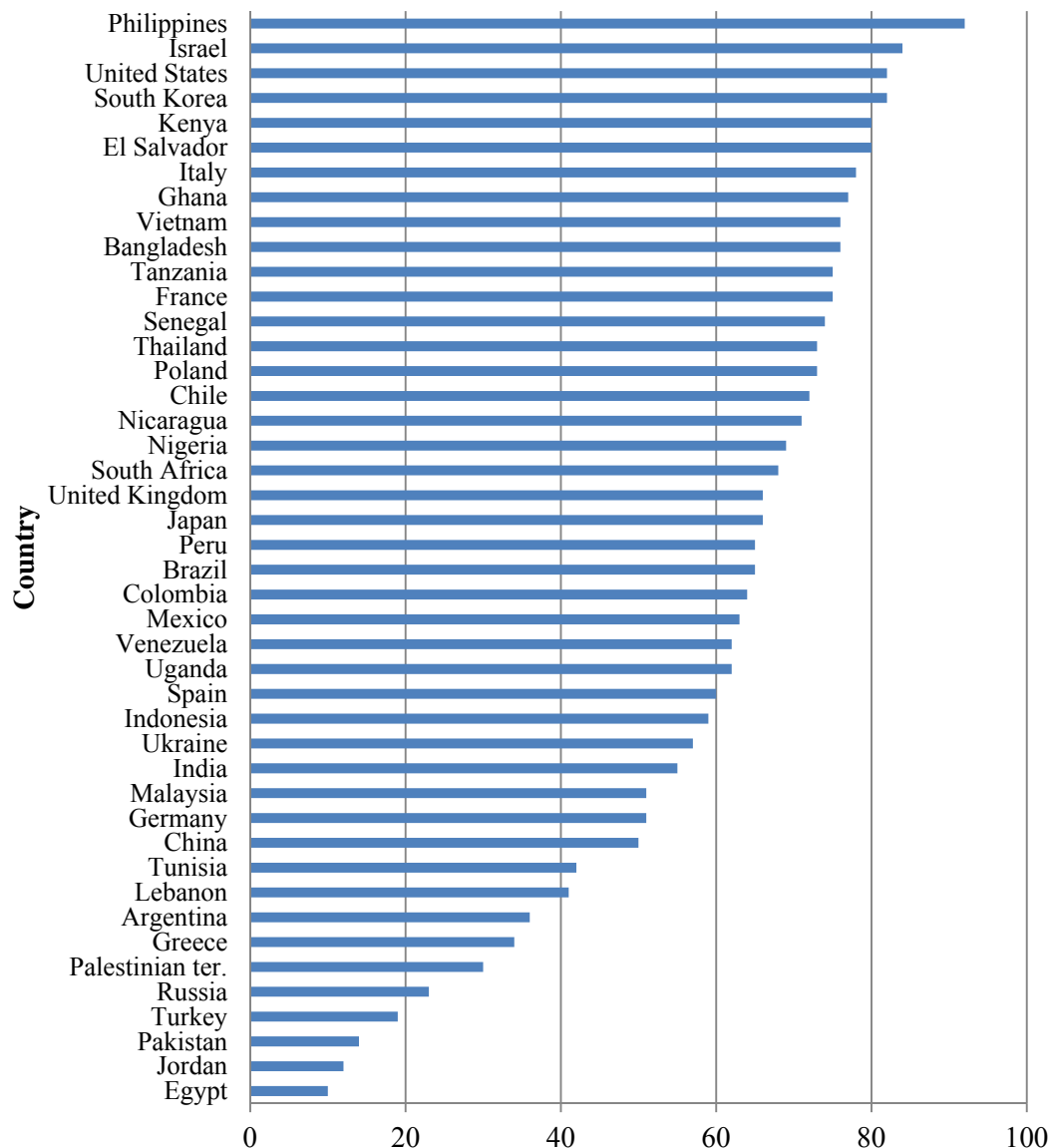
Many intellectuals and critics disdain popular culture because of its crude commercialism. They regard it as providing mass entertainment rather than information, and thus has little political effect (Nye 2005b:45). Actually, pop culture has a universal attraction to people from various classes, nations and beliefs. Nye (2005b:45, 2006) emphasizes ‘the political importance of popular culture’ and states that the positive effect of pop culture could make

the process of carrying out policy more easily and effectively, as will be discussed below by taking the US as an example.

1.5 US's use of soft power through its entertainment industry complex

Street (1997) discusses the complex connections linking commercial culture to political power and points out that popular culture can be used as a powerful political tool due to its ability to articulate feelings that contribute to form the identity of individuals, including political thought and action. He uses the term 'packing of politics' to describe the phenomenon that when politics becomes more theatrical, the line between politics and popular culture blurs. Nye (2005b:45) says that 'popular entertainment often contains subliminal images and messages about individualism, consumer choice, and other values that have important political effects'. As Wattenberg argues, 'content is more powerful than politics or economics. It drives politics and economics' (1991:213). The predominance of US mass entertainment in the world, especially its dominant film industry, contributes to the favourable global image of America. This is illustrated in the results of the Pew Global Attitudes project. In figure 1.1 below, the higher the number, the higher the positive opinion of the US.

Figure 1.1: Opinion of U.S. in 22 countries 2014



(Source: Pew Global Attitudes Project, U.S. Image in 2014)

A number of scholars have shown that Hollywood films have long been used to promote American cultural influence around the world (Guback 1969; Thompson 1985; Jarvie 1992; Smith and Ricci 1995; Puttnam 1997; Stokes and Maltby 2004; Mingant 2010; Fattor 2014). Smith and Ricci (1995) observe that since the end of the First World War, anguished voices have been raised in Europe about the need to counter Hollywood's domination of the movie marketplace – for the balance of payments, for the protection of indigenous industries, and for the preservation of national identity. Fattor (2014) points out that entertainment plays an essential role in the rise and persistence of American power, and in many aspects, has been a

weapon against the rejection of American influence abroad. In the twenty-first century, new technologies such as online platforms and social networking have reinforced old sources of American soft power such as print media, theme parks, film and television. Stokes and Maltby (2004) not only point out Hollywood's global reach but also examine the reception of Hollywood movies by non-American audiences from many other countries. They demonstrate that the story of the reception of American films overseas is less one of domination than of a complex adoption of Hollywood into various cultures.

Fraser (2005) also notes the propaganda purpose of Hollywood since the First World War and the strong connection between Hollywood and Washington even today. For example, after 9/11, meetings were held between Hollywood studio executives and White House officials about how Hollywood films could help to combat world terrorism. In total, US film (including its domestic market) represents at least 70 per cent of the global box office. Hollywood promotes a favourable international image of the US, characterized by American values that are 'open, mobile, individualistic, anti-establishment, pluralistic, voluntaristic, populist and free' (Nye 2005b:45). As Walt (2006) states: 'America's leaders have sought to persuade as many countries as possible to embrace their particular vision of a liberal-capitalist world order'. Hollywood is one of the cornerstones of this endeavour. In a winner-takes-all market, its ascendancy and ability to transcend other cultures (Zoysa and Newman 2002:189) 'has led to other nations fearing that their own cultural identity would be tainted, altered somehow by this Hollywood influence' (Burrowes 2011). It 'follows, shapes and leads in anticipating cultural demand', and has been 'beneficial for American business export and sustaining the exercise of soft power, a role facilitated by the American government, which presses hard for the further global liberalization of services' (Zoysa and Newman 2002: 199-200).

In part, because Chinese films in general have not travelled well, many people around the world have formed a view of China and Chinese people from their portrayal in Hollywood films. In addition, the Chinese inclination to make historical productions has sometimes worked to reinforce stereotypes; for example, that all Chinese people might still wear pigtailed. To return again to Jia, if Chinese films have a stronger grounding in popular culture, they may travel further and at the same time provide a more realistic view of Chinese life and society.

Soft power competition

Chinese soft power aspirations are complex. Whereas the original concept of soft power identified culture, political values and foreign policies (Nye 1990), China's model places heavy emphasis on traditional culture (Ding 2008; Li 2008). However, the formula for much of East Asian soft power is not tradition. Chua (2012) has coined the term 'soft power competition' to describe how countries in East Asia have used pop culture exports to positively influence opinions and attitudes of transnational audiences. In 2002, McGray (2002) used the term 'Gross National Cool' to describe trendy Japanese pop culture; following this, Doobo Shim (2006) drew attention to 'the Korean wave.'

No matter what the core source is, the core point of soft power – to attract, to coopt and to seduce – is to generate favourable impressions among receiving audiences. If China wants to sell its traditional culture and values, it can't sell it in a traditional way, but must sell it in a more easily acceptable pop way. Given that Chinese film is still a rarity abroad, foreigners often do not know how to read Chinese texts (Chu 2014). Besides reasons like cultural differences and different histories of ideas, Chu (2014: 169-170) points out that the failure of Chinese soft power is not entirely China's failure. The logic of transnational politics, the Western fears of a rising China 'powerfully intervenes in cross-cultural media consumption'. Furthermore, the Chinese government, especially in the past, did not choose to use easily acceptable pop media products to achieve its soft power ambitions, but rather used heavy propaganda programs or Confucius Institutes. China's political and cultural frames in media production – the inward looking and outward looking soft power purpose – further complicate cultural products and make them unreadable.

The Beijing government, in the past several years, has started to shift focus from investing in Confucius Institutes and ramping up Chinese media presence overseas by funding declining media like broadcast television and radio to produce pure propaganda programs toward more ostensibly pop areas, such as animation, commercial film, and online video gaming. In 2009, the State Council released its plan to adjust and reinvigorate the cultural industries and has formulated numerous sector-specific policies that target pop areas. The recent cultural soft power strategies observed by Keane are 'largely an effect of regional competition as much as a head-to head battle with Hollywood'. The stimulus for the shift is not 'just the rise of the great European powers but Korea as the interloper'. The Korean Wave was 'eroding the beachheads of China's cultural sovereignty. Television dramas constituted the crest of the

wave but the backwash was evident in the popularity of Korean fashions, food, music, video games, anime and celebrities...China's former vassal territory, Korea, had been able to successfully generate culture exports by mixing traditional aesthetics with postmodern pop cultural sensibilities' (Keane 2015: 93).

In addition to the US's existing influential soft power, regional neighbours' alertness to the potential of media production has further forced the Chinese government's hand. The Korean Creative Content Association was established in 2009 to assist the growth of the Korea's content industry. While China was promoting its traditional culture, Japan markets its 'cool' contemporary pop and sub-culture in music, cuisine, anime, manga, video games and fashion (McGray 2002; Newcomb 2008), through a public-private approach which encouraged and gave official blessing to the private sector to 'sell the Japanese dream' (Aso 2006). 'Ironically, being cool, fun and hip have now become serious business for the Japanese state' (Lam 2007: 351). In comparison, China's soft power style emphasizes high profile gestures such as building infrastructure (Nye 2012b) and adopts a top-down approach that is largely led by government, contradicting Nye's (2005b:46) observation that 'soft power does not belong to the government in the same degree that hard power does'. Popular culture has altered impressions of Japan from being economic titan to being creative and cool, (Heng 2010: 275). Heng (2010) also notes that a soft power competition era is a looming possibility in the Asia-Pacific. By undertaking a comparative evaluation of the soft power strategies of Japan and China, Heng (2010: 276) concludes that Japan appears the more successful exponent of soft power.

In the Asia-Pacific region, Chua (2012) points out that Japanese, Korean, Hong Kong and Taiwanese soft power have been dominant in the past decade. However, China has an advantage in the soft power competition: its massive audience/consumer market, which drives regional producers to coproduce in China (Chua 2012: 8). Chua's argument has turned Nye's original concept into a regional index of pop culture success. Chua argues that pop culture engenders culture presence, which offers China a strategy for becoming more competitive.

1.6 Film and soft power

Allmendinger (2001:52) states that 'society created the media and through the predominance of signs the media is increasingly influencing and creating society'. Nowadays, media

messages influence every individual aspect of the way we live and consume, the religion we follow and the policy or politicians we support. Zoysa and Newman (2002: 199) note that ‘film and television are an integral part of American soft power, effortlessly extolling virtues attributable to the American way of life, including its downside’. Film, of all kinds of media, is traditionally recognized as the most powerful and effective tool for soft power. As Gluszak (2013) argues: ‘cinema is the most popular and universal medium of mass entertainment. It is through film that we have learned to appreciate art, experiment with form, and communicate with spheres not usually available through direct contact. Cinema has allowed us to gain new ways of experiencing the world and obtaining information’. ‘If I could control the medium of the American motion picture, I would need nothing else to convert the entire world to Communism’, remarked Joseph Stalin (Cited in Zhu 2014). Through Hollywood, American cinemas have become ‘part of the socialization process’ for people around the world and ‘a prime mover in the globalization of consumerism and image making’ (Zoysa and Newman 2002:189-201).

Soft power is described as an ‘important reality’ by Nye (2002:9). This reality is reflected in the dominant US film industry (Sin 2012:7). As the French politician Hubert Vedrine notes that Americans are so powerful because they can ‘inspire the dreams and desires of others, thanks to the mastery of global images through film and television and because, for these same reasons, large numbers of students from other countries come to the United States to finish their studies’ (quoted in Nye 2002:9). In a global information age ‘success depends not only on whose army wins, but also on whose story wins’ (Nye 2005a: 11). Film has traditionally been the best tool for telling global stories.

In China, film is not only a tool for telling a story. As Chu (2002:44) points out, the Chinese Communist Party ‘inherited Lenin’s conviction that cinema is the most important art form’. The CCP has a long tradition of using film as a vehicle for communication of the ideology of the one-party state. Under Mao, the film sector’s primary role was mass education, to promote Marxism, to ensure public loyalty to the Party, and to coordinate social or political campaigns (Chan 2003:159). The profit motive was non-existent. Although Deng Xiaoping’s open-door policy enabled the industrialization and commercialization of the film sector, the CCP through the Culture department and SARFT, retained a firm hold over script selection, film review and censorship.

Flew and Hartig (2015:8-9) argue that such strict government control over media and cultural institutions has limited the effectiveness of Chinese soft power:

China possesses a significant problem in projecting its soft power through public diplomacy, arising from the perceived lack of distance between its media and cultural institutions and the government, in a one-party state that is seen as authoritarian by other nations. The perception of government control over the output of CCTV, the Xinhua News Agency or Chinese cinema constitutes an important barrier to the capacity of such institutions to have international influence

This view has been argued and supported by many other scholars (eg. Sparks 2014, McClory 2010, Shambaugh 2013). However, as discussed in the previous section, the Chinese authorities' need to exercise control over media and cultural industries is deeply grounded in the logic and history of the one-party state's political system. On the one hand, the Chinese government understands the subtleties of film and has been attempting to employ film to promote soft power inwardly and outwardly. On the other hand, the government is hesitant to loosen its hold over the media, even though it may recognise the 'barriers' this continues to impose on the promotion of soft power, because the need to retain political control is strongly felt in part as a means to counter external 'cultural imperialism'.

In the first half of the twentieth century, China experienced the collapse of the Qing Dynasty, invasion by foreign countries, internal conflicts, occupation by Japan, and civil war. After half a century's storm and stress, the People's Republic of China was established in 1949. In the second half of the century, the PRC was involved in several international conflicts, while internally the Chinese people suffered greatly from the economic and cultural upheavals of Mao's Great Leap Forward and Cultural Revolution. This turbulent history has had a profound impact on China. The government now employs soft power more for 'defensive purpose[s]' (Li 2009), to positively build a stronger cultural image both within and outside China and to assert media power to contest western dominance. The level of control exerted over media and cultural production reflects the weakness felt by the state in the international mediasphere.

In the past decade, huge amounts of money have been invested in developing national champions to counter global giants like News Corporation and Time Warner. Rosen (2011) points out that the 'Chinese film industry is also expected to play its role in this effort, with the official China Film Promotion International (CFPI), established under the China Film

Group in April 2004, taking the lead'. CFPI is committed to providing assistance and service for the promotion and commercial distribution of Chinese national films overseas.

Su (2010: 317) argues that the Beijing government recognized the film industry as an indispensable manifestation of soft power. She further argues that it purposely employs new strategies and represents a potential Chinawood that features kung-fu movies and Chinese culture as 'part of an exercise in soft power in an attempt to counter the Western/American cultural hegemony' and also to maintain its legitimacy and a stable society full of conflicts (2010: 321). These strategies, according to Su (2010: 318), include 'redefining film as market-oriented cultural industry to be part of soft power'. As will be discussed in Chapter Two, the Chinese film sector has been part of a socialist planned economy for a long time. The evolution of Chinese film as an industry growing out of the pure propaganda role can be seen from the early 1990s (Zhu and Nakajima 2010:27). Humanizing and commercializing Main Melody³ movies, as Su (2010:319-320) states, reflects the double status of the Chinese film sector in which Chinese filmmakers try to 'compromise the official political principle and the emergence of a more neutral/humanistic perspective suggests a new trend in propagandistic films in the market-oriented film economy'. 'Incorporating traditional Chinese cultural elements and Hollywood techniques to Kung Fu movies': the historical themes, due to censorship in China, are seen by both Hollywood and Chinese filmmakers as 'politically safe, financially less risky and commercially successful', which leads to the fact that kung-fu movies have become 'a major genre of transnational production' (Su 2010:321). Su's argument points to the ambivalent status of the Chinese film industry. Along with the rapid growth of the film box office in the past few years, more policy and financial support has been put into the industry, as will be discussed in Chapter Two. The techniques for commercializing patriotic films are better enhanced when filmmakers are playing within the boundaries set by the state. However, only incorporating Hollywood techniques in to kung-fu films certainly has not satisfied the ambitions of the state or Chinese filmmakers. More strategies and action in the coproduction area are required, and that will be discussed in this thesis. Whereas film production is tied to the idea of the nation, it is through transnational arrangements particularly coproduction that this is being channelled (Berry 2014).

³ 'Zhu xuanlu, 'main melody' or keynote pictures, initiated in 1987. These state-sponsored works are propaganda films – glorifying the lives of Party officials, celebrating heroic incidents, or portraying war stories and patriotic melodramas' (Davis 2010: 125).

Yecies (2014) observes that Chinese international films are trying to close the gap with Hollywood using soft power at home and abroad. That is to say, Chinese international films, including coproductions, function as a form of soft power in the domestic and international market. Sin (2012:11) notes the intention of the Chinese government to utilise film and its images as a soft power tool and attempt to program the perceptions of the country for the global audience, largely by means of ‘controlling the national film industry, distributing ideal images and relating stories with impressive but predefined themes’. The importance of film to the deployment of soft power is also recognised by a school of prominent Chinese scholars. Yin Hong, a leading film scholar at Qinghua University, mentions the connection of Chinese film and the softer image of the country (Yin and Shi 2012: 17-20) and the soft power of Chinese film in the global background, and says that Chinese film ‘going out’ needs more ‘compromise’ to appeal to foreign audiences (Yin and Tang 2012:10-14). Yin and Tang (2012:10-14) emphasize the importance of ‘universal culture’ for Chinese films going out, which requires the films to transfer local, ethnic or traditional culture into universally appealing forms. He rejects the idea of focusing on the purity of national culture and stands for more compromise with the international market. In Chapter Five, I discuss how Hong Kong’s film identity has been compromised by stepping into the mainland market. Chinese identity has also been compromised by playing to global sensibilities. Zhang Yiwu, a prominent cultural scholar at Peking University (2012:21), argues for the vital place film occupies in the soft power development of China in the 21st century. The dean of the Art College of Peking University, Wang Yichuan (2012: 27-30), further discusses the soft power of film and its hierarchy of effect.

The value of film in exercising soft power is well-established. For China, the question is how can Chinese films attract global audiences through international coproduction in order to promote Chinese soft power?

1.7 China Film ‘going out’

The idea of a ‘going out strategy’ or ‘go global’ campaign’ (*zou chuqu zhanlue*) was proposed by Jiang Zemin as an overseas investment strategy in the 15th Chinese Communist Party Congress in 1997 (Jiang, 1997). After that, big Chinese corporations started to invest abroad and established overseas branches (Jacques 2009: 162). In the media industry, Jiang Zemin proposed to ‘let China’s voice broadcast to the world’ in 2001. Responding to Jiang’s call, SARFT launched a ‘going out’ project which was to ‘first establish Chinese television

and radio channels overseas in five years and then to provide, in ten years, multi-language, regionalized broadcasting and coverage'. CCTV-4 (the Chinese language International Channel) and CCTV-9 (the English-language International Channel, renamed the Documentary Channel on January 1, 2011), were gradually broadcast around the world (Zhu 2012: 32).

After the Beijing Olympic Games in 2008, the term 'Chinese culture going out' was frequently used in Chinese media. In 2009, the Chinese government introduced a cultural industry promotion plan to strengthen Chinese influence internationally. Li and Yan (2012:371) point out that Chinese culture, as a matter of fact, had already gone out passively in the dynasty of Han and Tang; at present, 'going out' contains two different meanings: first, the export of Chinese cultural products; and, second, making Chinese culture, represented in the products, accepted generally by people around the world.

According to Li Huailiang (2014: 2), the director of the national cultural trade research centre, the most influential media products, film and television works, made up close to zero per cent of China's cultural exports. Li (2014) believes that the export of film and television can be viewed as the vital standard to measure if a nation's culture can 'go out' or not. He further argues that the market mechanism of culture industry in China is underdeveloped. Basically, the American cultural industries are market-led, while China's cultural industries are government-led. As Li (2014: 4) has it: 'the culture' currently being 'sent out' by government, regardless of the cost, can not create any real influence, and only the 'cultural products' sold by companies through the market are able to generate 'attractiveness'.

In terms of the export of Chinese films, the data is disappointingly stable. While the Chinese domestic box office has rapidly grown from 3.33 billion RMB in 2007 to 20.3 billion RMB in 2013, the overseas revenue in 2013, with RMB around 1.5 billion, is even less than 2007 where it was around 2 billion RMB (SARFT data, cited in Li, H 2014: 117). After the success of *Crouching Tiger, Hidden Dragon* (2000, directed by Li An/Ang Lee, \$USD 128 million box office) and *Hero* (2002, directed by Zhang Yimou, \$USD 53.71 million box office), it is hard to find any films making any impact internationally. A few kung-fu films earned some box office revenue overseas, such as *House of Flying Daggers* (*shimian maifu* 2004), *Kung Fu Hustle* (*gongfu* 2004), *Fearless* (*huo Yuanjia* 2006), *The Grandmaster* (*yidai zongshi* 2013). However, the other genre films which were successful in China, did not perform well overseas. *Lost in Thailand* (*renzai jiongtu zhi taijiong* 2012) made 1200 million RMB

domestically in comparison to its overseas box office \$US 57,000 and *So Young (zhi women zhongjiang shiqu de qingchun* 2013) made 700 million RMB compared to its overseas box office \$US 9, 990 (Li, H 2014: 119).

Although film export can be recognised as a very effective way to exercise soft power, China's current situation in this field is very depressing. The other phenomenon we can observe is that coproduced films made up almost the whole export data. In 2011, 52 films, including 50 coproductions, from 23 producers, were exported to 22 overseas countries and regions. More data to support this can be found in Chapters Two and Three (The Annual Report on International Culture Trade of China 2012: 183).

From this data, it is clear that coproduction plays a vital role in China's film exports. This is recognised by the Chinese Government, which positively encourages other countries to coproduce with China by signing official coproduction treaties, allowing the setting up of joint-venture media companies and improving coproduction finance mechanisms. Most importantly, the crucial factor is the huge domestic film market, which is now seducing countries all over the world to share a slice of the pie. The following chapters will discuss Chinese film coproduction and the internationalism (going out) of China's film industry within the context of the Party-state's embrace of cultural soft power to enhance its national image.

Chapter 2 China's Film Industry

This chapter will examine the recent rapid growth of China's film industry against the background of the rise (and decline) of other East Asia media industries. This chapter begins with background on China's film industry, its history, strengths and weaknesses. From this background we are able to see why coproduction has emerged as a viable means to make the industry more competitive, not just a place for film consumption but for a complete industry chain to emerge. To show how the Chinese film industry is coming to term with the challenges of competition and coproduction I examine the way that films are made financed and distributed, as well as the key players. Examining the extent to which Chinese film is actually traded beyond its borders, it is apparent that the booming domestic market hides the reality of the industry's underdeveloped international profile. This leads to the important question: if the domestic market is so strong, why isn't Chinese film competing abroad?

2.1 The rise (and decline) of East Asia

The success and failures of the Chinese film industry need to be seen in the context of both media imperialism and the rise of East Asian media industries. In 1980, Oliver Boyd-Barrett wrote about the imbalance of power and media flows globally, and argued that American media controlled the world, a phenomenon labelled 'media imperialism'. In more recent work, Boyd-Barrett (2014) analyses how structures of power and control still continue to regulate access to and consumption of media, and argues that media imperialism still matters today. Lee (1980) also examined the indicators or levels of media imperialism. He focused on the flows of television programs, adoption of foreign models and foreign investment, as well as how these have cultural effects. Straubhaar (1991) cast doubt on the simple dominance of US media, suggesting the influential idea of cultural proximity as a factor in media flows through research on television, although this idea is useful in other media areas, too. In similar vein, he (1991:55) points out that 'the increasing interdependence of the world television market seems to bear a strong regional flavour' based on distinct regional cultural patterns. Language groups, as Straubhaar (1991:55) proposed, 'tend to reinforce regionality'. Further, Straubhaar demonstrated that cultural proximity can overcome language differences by looking at the success of Brazilian programming dubbed into Spanish and circulated throughout Latin America. In 1993, Thomas Gold wrote about the powerful attraction of Hong Kong and Taiwanese pop culture (gang-tai) in mainland China. Gold wrote about the influence of

trendy Taiwanese and Hong Kong content in the Chinese market, which was then dominated by political themes (Gold 1993). In 1996, Sinclair, Cunningham and Jacka (1996) introduced the term 'peripheral vision', which argued that the rise of other peripheral media nations was challenging the media imperialism thesis. This built on Michael Tracey's 'patchwork quilt' metaphor (Tracey 1985), which identified a diversity of cultural flows.

More analysis of East Asian media followed, leading to the popularity of the concept of soft power. In 2002, McGray (2002) coined the term 'Gross National Cool' to describe trendy Japanese pop culture. Iwabuchi, Muecke and Thomas (2004) discuss cultural flows and consumption across different regions in Asia, and the role of such flows in creating contemporary Asian national identities. Shim (2006) identified the rising popularity of Korean popular culture in Asia. Chua and Iwabuchi (2008) built on this by analysing an emerging regional East Asian media culture formed in part by the Korean Wave of television drama that was then washing through the region. Black et al (2010) also analyse the Korean Wave, and identify variations on the theme of cultural flows between Japan or China and other East Asian countries. Fung (2013) examines different aspects of Asian popular culture, arguing that while local social formations and patterns of consumption and participation in Asia are still very much dependent on global cultural developments and the phenomena of modernity, such dependence is often concretised, reshaped and distorted by the local media to cater for the local market. Chua (2012) coined the term 'soft power competition' to describe how East Asian countries use popular culture to gain a presence or influence in other countries. All of these analyses focus principally on the flows and sales of finished programs. Collectively, they have expanded knowledge and thinking about East Asian media. For the most part, however, they do not discuss media production and soft power, or cover the kind of international coproduction relationships that are my focus in this thesis.

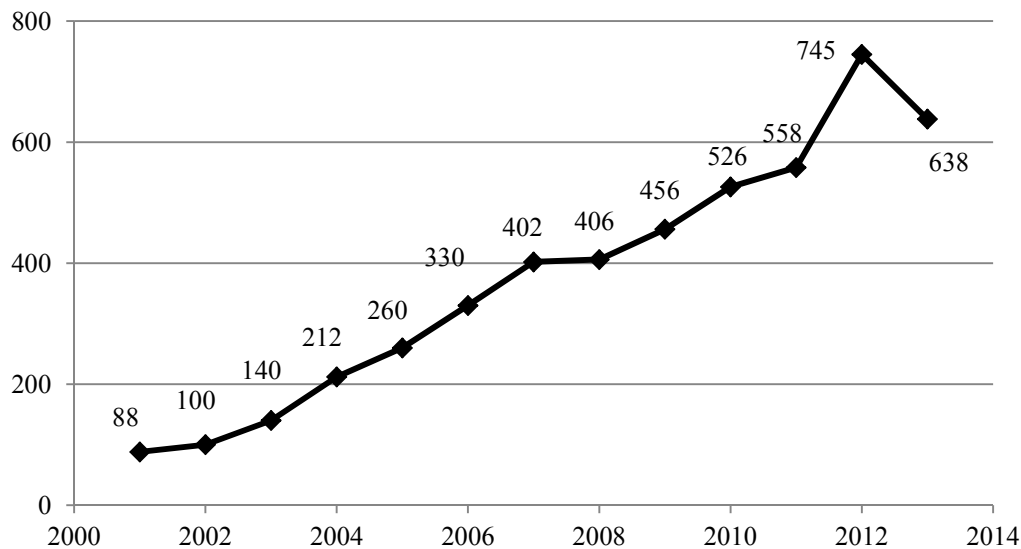
In recent years East Asian film and television industries have faced new challenges. Hong Kong film production has declined while the Korean Wave is showing signs of weakening. In part, this changing situation has fuelled the desire of international filmmakers to work on coproductions in China despite the problems that filmmakers encounter there, such as censorship (Chua Beng-Huat 2012, Fung 2013 and Keane 2013).

2.2 The state of the Chinese film industry

In January 1993, the State Administration of Radio Film and Television (SARFT) implemented the “Opinion on deepening of the reform of film industry mechanisms” (*guanyu dangqian shenhua dianying hangye jizhi gaige de ruogan yijian*). From this point, the Chinese film sector started to move from a planned economy to a market economy model. The purchase and distribution of domestic films was no longer only controlled by one (state-controlled) organisation, the China Film Group. Other film companies and studios now had the right to distribute films overseas, while 32 provincial and municipal film distribution companies also now had the right to distribute films nationally. Profit and loss would now be determined by the market. The period from 1993 to 2001 signalled the genesis of commercial filmmaking in China. Along with the central government’s focus on the development of cultural industries and the intent to deal with competition from Hollywood, more practical reform actions were implemented to stimulate the development of the film industry between 2002 and 2003. Amended regulation-the Film Management Act (*dianying guanli tiaoli*), was issued on 25 Dec 2001 by the SARFT, and took effect after 1 Feb 2002. These regulations significantly reduced the industry access threshold, allowing people and institutions outside the state-owned film company to engage in filmmaking. This brought more funding, creativity and vitality to the film industry. However, strict censorship still existed in the new regulations (Yin 2003:4-8). In 2003, SARFT issued three new regulations: Interim Provisions on the Access of Operational Qualifications for Movie Production Distribution and Screening (*dianying zhipian faxing fangyin jingying zige zhunru zanxing guiding*), The Provisions on the Administration of Chinese-Foreign Cooperative Production of Films (*zhongwai hezuo shezhi dianying pian guanli guiding*), and Interim Provisions on Film Script Registration and Film Review (*dianying juben(genggai) lixiang dianying pian shencha zanxing guiding*). These documents, based on the Film Management Act in 2002, provided more supportive policies for the film industry. They opened up film production to private film companies, encouraged the investment of private capital and the establishment of private film production companies independently or with state-run studios, and reduced the conditions for film project approval. Also, foreigners were now allowed to form a joint venture with state-owned film production companies. Along with other policy developments that will be discussed in more detail in Chapter Three, these three new regulations were crucial to promoting the development of coproduction between Chinese and overseas companies. Due

to the further release of policy in 2002 and 2003, the Chinese film industry entered into a rapid expansion stage, especially after 2006 (Yin 2003:4-8)

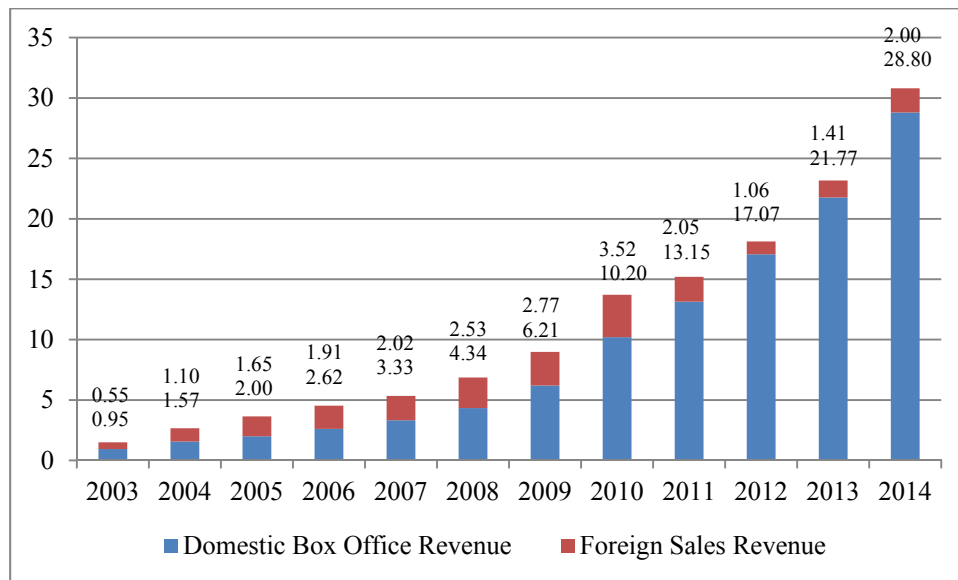
Figure 2.1: Annual feature film production volume 2001–2013



(Created by author based on SARFT data, Entgroup film industry report (2010–2014), Yin Hong's report (Yin 2013:5–7))

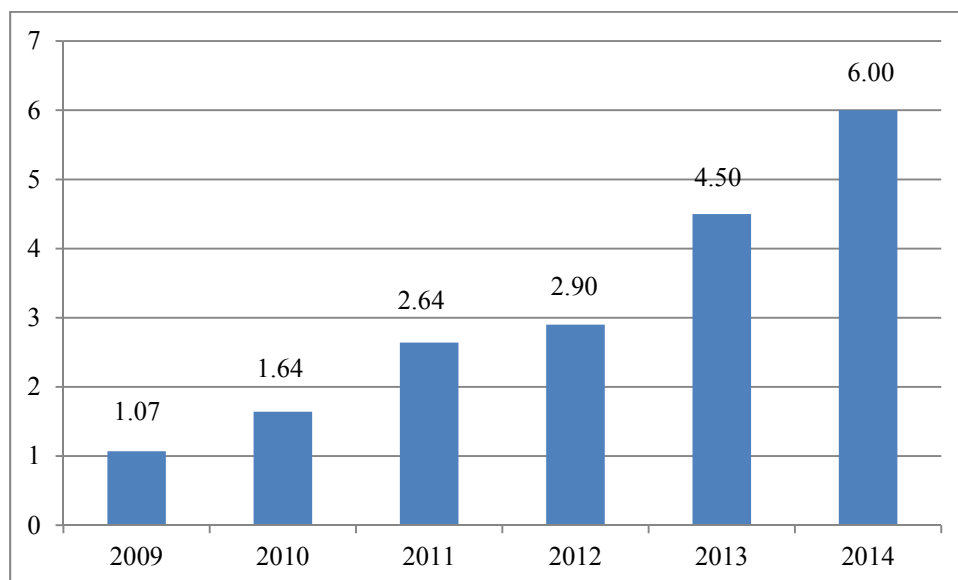
The number of feature films produced in China reached 745 in 2012, which is roughly equal with India, and one of the highest totals in the world (See figure 2.1 above). China's movie-going and box office revenues also grew rapidly. In 2010, China's box office revenues skyrocketed, reaching RMB 10 billion, a 63.9 per cent increase over the previous year (Yin 2011:6). In 2012, the total revenue of the film industry reached RMB 20.9 billion. The domestic box office was RMB 17.073 billion (see figure 2.2 below), an annual growth rate of 30 per cent per cent. China surpassed Japan and became the second largest film market globally. As mentioned before, it is predicted that China will become the largest film market by 2020. However, overseas sales and other revenue for Chinese films are still low, which increases the investment risk; if a film fails at the Chinese box office, this means that the chances of recouping investment overseas or from other sources are limited (see figure 2.3 below).

Figure 2.2: 2003–2014 The Scale of Chinese Film Industry (Billion RMB)



(Created by author, based on SARFT data, Entgroup film industry report 2013–2014, Yin’s report (Yin 2013:5–7))

Figure 2.3: 2009–2014 Film industry revenue excluding domestic box office and foreign sales⁴. (Billion RMB)

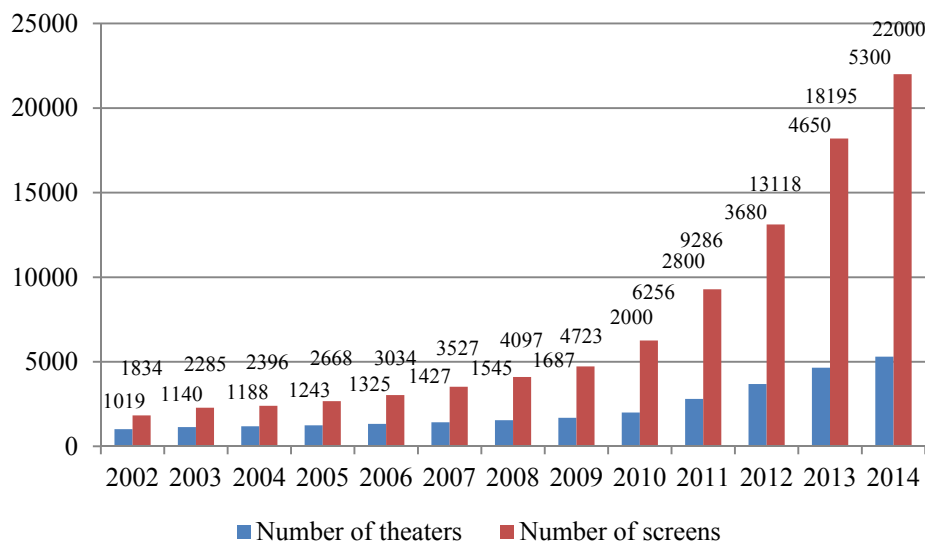


(Created by author based on SARFT data, Entgroup film industry report 2013–2014)

⁴ Other revenues include television sales, DVD sales and sales to airline and hotels.

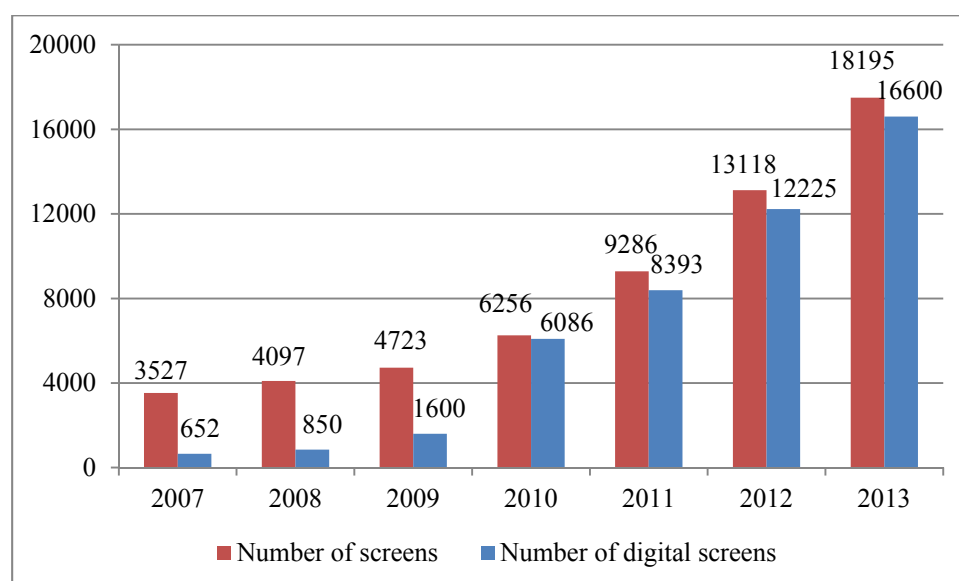
The total number of theatres and screens in China is expanding rapidly (See Figure 2.4 below). Roughly, an average of 10 new screens have opened each day from 2010. The total number of digital screens has also risen dramatically since 2010 and now nearly 95 per cent per cent of all screens are digital (See Figure 2.5 below).

Figure 2.4: The number of theatre and screen from 2002 to 2014



(Created by author based on SARFT data, Entgroup film industry report 2013–2014, Yin’s report(Yin 2013:5–7))

Figure 2.5: The number of digital screens from 2007 to 2013 in China



(Created by author based on SARFT data, Entgroup film industry report 2012–2013)

2.3 Distribution in China

In 2002, the Chinese government extended the reforms of the film distribution system that began in 1993. The new distribution system consisted of distributor, cinema circuit and theatre. The distributors directly distributed films to the cinema circuit, and the circuit supplied films to the subordinate theatres. As the following table shows, there are two kinds of cinema circuits in China, ‘asset connected’ and ‘contracted alliance’.

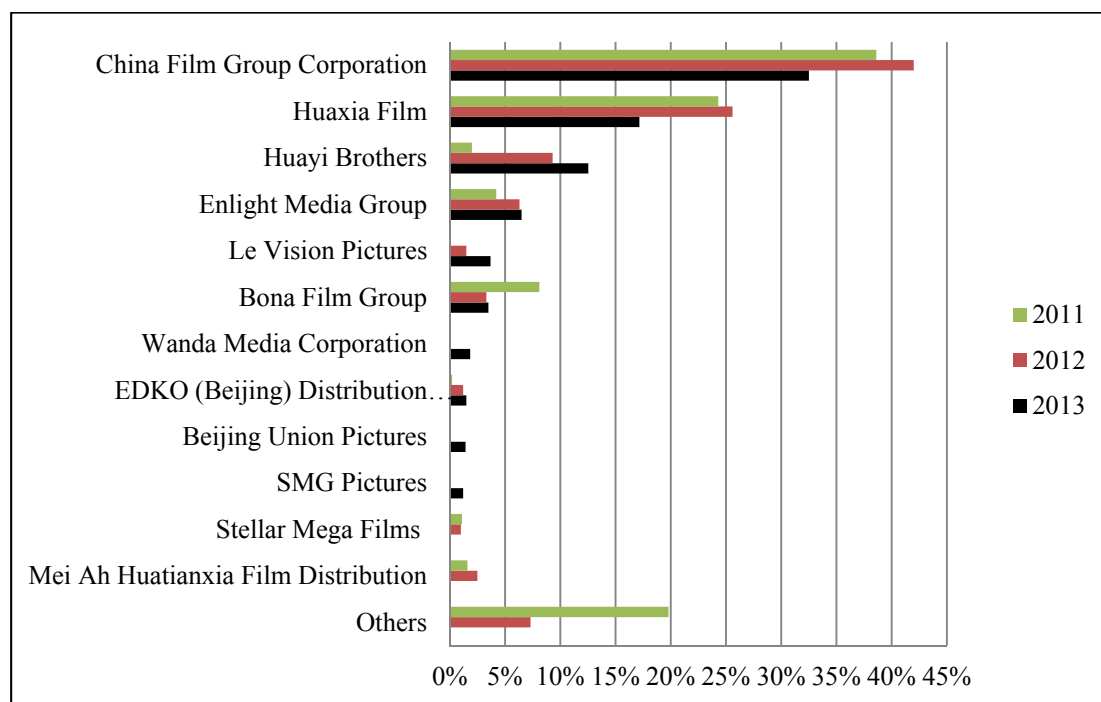
Table 2.1: Two kinds of cinema circuits in China

Form	Relations between the cinema circuit and the theatre	Representative theatre	Entgroup’s comment
Asset Connected	The theatre circuit or the mother company of the theatre circuit directly invest in the building of the theatre; the theatre belongs to the cinema circuit.	Wanda Cinema Chain, G.Z. JinYi, ZhuJiang Film Circuit, Guangdong Dadi Digital Cinema	The cinema circuits own and manage the operation of cinemas in the circuit. This is a common practice in foreign countries.
Contracted Alliance	The theatre is not affiliated to the cinema circuit; the alliance is formed contractually	China Film Stellar Theatre Chain, Beijing New Film Association	Cinema circuits do not own the cinemas in the alliance. Cinemas in the alliance may have very different management and brand cultures. Cinema circuit here is only a loose organization that arranges screening schedules for the cinemas. It’s a unique system in China.

(Entgroup 2010:35–36)

In mainland China there are now more than 250 distribution companies, of which 90 per cent are private. However, state-owned companies like China Film Group (CFG) and Huaxia Film Distribution still take the lion's share of profit while the remainder is mainly commanded by several large private companies such as Bona Film Group, Enlight Pictures, and Huayi Brothers New Picture (Entgroup 2012:16–17). The China Film Group and Huaxia Distribution have a relatively stable market share. According to IHS Screen Digest's data, CFG distributes an average of 140 films per year (165 in 2012) which accounts for around 38 per cent per cent of market share each year. Huaxia distributed 95 films in 2012 with a market share of 23.5 per cent. The market share of other private companies was influenced by the quality of individual films each year. The figure below illustrates the market share of the top 10 distribution companies from 2011–2013 (Entgroup 2014).

Figure 2.6: Market Share of Top 10 Distribution Companies 2011–2013



(Created by author based on Entgroup China Film industry 2014:16)

The four distribution models in China have implications for overseas companies wanting to participate in the Chinese film market, and for those seeking to coproduce. The first is a revenue-sharing model, which is most common: theatrical revenues minus deductions for the

National Film Development Funds⁵, business taxes and surcharges, are shared by the producer, distributor, cinema circuit and the theatre based on a fixed ratio, as detailed in the following paragraph. Thirty four imported films through revenue sharing way or Chinese domestic medium or blockbusters use this model. The producer of revenue-sharing imported films will pay the print costs; for other films, these costs are paid by distributors. The second distribution model is a flat-fee deal model. The distributor of the film purchases the mainland distribution right, the right to screen on Chinese airlines and domestic television copyright for a flat fee. The distributor will pay for all distribution expenses, including advertising, copy and print, copy management and so on. The producer is not entitled to an extra share of theatrical revenues. This model is adopted by imported films mostly. The third distribution model is the distribution agent model whereby the distributor serves as an agent and charges a certain percentage of the film's theatrical revenue, but does not pay for expenses like advertising, copy and print or copy transportation. The final model is called assisted promotion. It is used for flat-fee imported films and is unique to China. China Film Group and Huaxia Film Distribution are the only two companies to import foreign flat-fee films. These imported films sometimes are handed to other qualified companies to distribute in the name of assisted promotion. China Film Group and Huaxia Film Distribution are nominal distributors. Usually, they purchase the copyright at the price of about US\$50,000 and charge the assisted distributor RMB 100,000 (roughly US \$16,000) as a management fee. They will share the theatrical revenue with the distributor (Cain 2012b; Entgroup 2010:30-31).

Theatrical revenue in China takes two forms: Actual Theatrical Revenues and Theatrical Revenues for Share. Actual Theatrical Revenues means the value of all tickets sold by cinema circuits and distributors (admissions multiplied by ticket price). The Theatrical Revenues for Share applies to producers, distributors and exhibitors. They are the Actual Theatrical Revenues minus the National Film Development Funds (5 per cent of Actual Theatrical Revenues), and business taxes and surcharges (3.3 per cent of the remainder) (Entgroup 2010:31–32).

The Actual Theatrical Revenues shared by producers, distributors and exhibitors can be divided into two types. First, domestic films/joint productions and flat-fee imported films –

⁵ National Film Development Funds or China Film Special Funds is a subsidiary body of the Film Bureau, is responsible for box office statistics in China. It collects 5 per cent from every film's theatrical gross as special funds for supporting local film production and theatre construction. One thing to note is that the 5 per cent they collect is not counted as part of the theatre's business tax (Cain 2012).

flat-fee imported films refer to those foreign films only brought into China by the China Film Group on a flat-fee basis. Second, revenue-sharing imported films-the quota was twenty before 2012 and was expanded to thirty-four after the signing of the Sino-US Memorandum of Understanding (MOU) in Feb 2012. The table 2.2 below roughly shows the revenue division scheme in Chinese film industry. The actual revenue division percentage may fluctuate due to the power-play between the distributor and the cinema circuit, and between the cinema circuit and the cinema. If a film is joint production and counted as a domestic film, then the coproducer and its partner in China can receive 43 per cent of the whole actual theatrical revenue. If a film is not a joint production, the revenue from the Chinese market is 25 per cent. Before 2012, the revenue share for imported films was even lower, only 13 per cent (Cain 2012b). Apart from avoiding the competition to be part of the quota of imported films, the award of official status in China allows foreign coproducers to share in a larger proportion of revenue. This is one of the most important factors driving foreign producers to establish coproduction arrangements in China.

Table 2.2: Film revenue division scheme in China

	Producer	Distributor	Cinema circuit	Theatre
Domestic films (including joint productions) and flat-fee imported film	43%		7%	50%
Revenue-sharing Imported films	25% /13-17.5% (before MOU)	20%/32% or less (before MOU)	5%	50%

(Entgroup 2010:32)

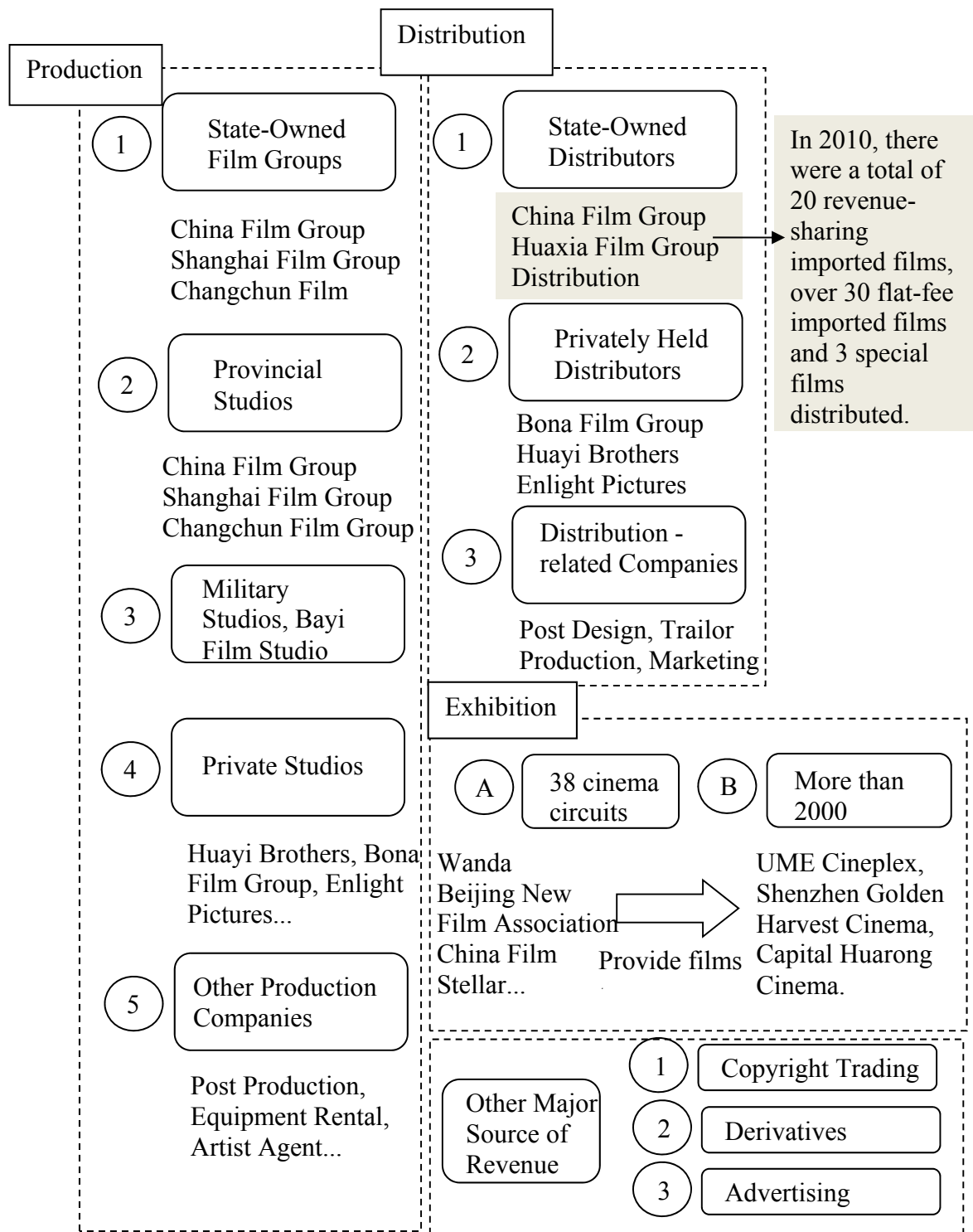


Figure 2.7: Film Industry Chain in China

Source: Entgroup 2010:12

2.4 Is the industry booming or just the market?

There are many reasons for the expansion of China's film market, especially after 2010. In addition to an expanding urban population with increased disposable income, the government's emphasis on cultural industries has been the key factor. In 2012, the signing of the Memorandum of Understanding (MOU)⁶ between the US and China increased the import quota from twenty to thirty-four films, which put pressure on domestic films. Increasingly supportive policies for the film industry have been implemented in recent years. The National Film Development Funds (NFDF) implemented new regulations (19 Nov 2012) to encourage domestic production of more high tech films, for theatres to screen more domestic films and for investors to develop more new theatres.

⁶ See content about MOU in the table below.

Table 2.3: Important policies related to film industry introduced from 2010 to 2013

Date	Policy	Content and Impact
2010	Guidelines on promoting the prosperity and development of the industry	The first time that the film industry was lifted to the level of a strategic industry.
2011/3/6	Outline of the Twelfth Five-Year Plan for National Economic and Social Development in the People's Republic of China	This document clearly mentioned 'strongly developing cultural activities and cultural industries' with the goal of making cultural industries a major part of the national economy. It also specifically mentioned 'accelerating the building of cinemas in small and medium cities in central and western regions' as well as strengthening the influence and competitiveness of Chinese cultural internationally and putting greater emphasis on China's soft power policy.
2011/12/1	SARFT's guidance on promoting the coordinated development of film production, distribution and exhibition	1. Theatres cannot take more than 50% of profit during first-round screenings; 2. Theatre rental annually should not exceed more than 15% of box office revenue; 3. Theatres that sign on with theatre chains should, in principle, sign for time durations of no less than three years; if a theatre does enter into an agreement with a theatre chain whose joint assets are more than 50%, the agreement may be renegotiated in order to be a part of the chain; 4. Operations of preshow ads revert to theatres; production companies will no longer operate ad placements. These policies are trying to coordinate the economic interest between theatre, production company and distribution company to avoid cutthroat competition.
2012/2/18	Memorandum of	1. China will allow the import of 20 films and an

	Understanding (MOU) between US and China	additional 14 3D or IMAX films; 2. Box office shares to the US will be increased from the original 13% to 25%; 3. Increase the opportunities for private companies to release imported films, and put an end to this monopoly held by SOEs in the past
2012/11/19	<p>Subsidise the creation and production of domestic high-tech films</p> <p>Refund policy for newly developed theatres</p> <p>Subsidise the installation of digital projection systems</p>	<p>The government will subsidise domestically produced and distributed 3D, IMAX and high-tech films, based on box office revenue. (This is discussed in more detail in Chapter Four.)</p> <p>Theatres open since 2002, 2003, 2004, if approved, will enjoy correspondingly one year, two years and three years of ‘firstly collect and then return’ the NFDF to the theatres. Theatres with a 45% or more box office gross revenue from domestic film also enjoy special subsidised refunds</p>
2013/7/17	Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the SAPPRFT	Provision 14: cancel the script review of general movie subjects and publicise the film outline. It was indicated by the media as the further release of policy. However, the concept for ‘general subjects’ is not being clearly defined in the notice.

(Created by author based on Entgroup reports from 2010-2013)

Due to the policy encouragement, a rush of private capital has flowed into the film industry, creating the impression that the industry is buoyant. The tables below illustrate the surge of film investment. Chinese film scholar Yin (2008:16-17) observed that China’s film industry entered into the capital age in 2007. The source of capital in 2007 mainly came from PE (private equity investment), stock market, venture capital and industry groups. Venture

capital firms such as IDG, Sequoia and SIG, and listed companies such as Focus Media, Hurray! Holding and Jiahe Holdings all have built close relationships with film production companies, like Huayi Brothers, Polybona Films, Enlight Media Group and Chengtian Entertainment Group (see table 2.4 below).

Table 2.4: 2007-2011 Significant venture capital investments in the Chinese media industry

Year	Investor	Value (Million US dollars)	Investee	Primary business
2011	Zhenghe Hongyi Venture Capital	4.72	WestCoast	TV series/Film
2011	Tiantu Capital TVZone	8.18	TVZone	TV series/Film
2011	Tencent Huayi Bros.	69.99	Huayi Bros. Media Group	TV series/Film
2011	IDG Capital Partners/China Consumer Capital	20.09	Imagi Animation Studios	Cartoon
2011	CCB International/Kaixin Investment/China Equity/Zero2IPO Ventures/Hantao Private Equity	117.98	Beijing Galloping Horse Media	TV series/Film
2010	Tiger Fund/AIA Group Limited	30	HaiRun Movies & TV	TV series/Film
2010	ZheShang Venture Capital/ Tianyue VC/Huijin Lifang Capital	17.5	Zhongnan Cartoon	Cartoon/Film
2010	Sequoia/PreIPO/Matrix Partners China/Zero2IPO Venture/SAI	5	BONA FILM GROUP LIMITED	Film
2010	COPOWER Venture Capital/Kaichen Capital/ GIG	9	HERUN Media	Advertisement
2009	Sequoia/ Matrix Partners China/Mattix/ Zero2IPO Venture	9.5	BONA FILM GROUP LIMITED	Film
2009	ZheShang Venture Capital	4.39	Huace Film & TV	TV series/Film
2008	Baring Private Equity Asia	40.7	Beijing Galloping Horse Media	TV series/Film

2008	HTVC	27.2	Great Dreams Cartoon Media	Cartoon
2007	IDG Capital Partners/ Goldman Sachs/ SAI	25	Impression Creative	Performance

(Yin 2012:8)

In addition, more film companies were listed on stock markets in China and abroad. Chengtian Entertainment back-door listed on the Hong Kong Stock Exchange by buying the majority of Hong Kong listed Golden Harvest and changing its name to Orange Sky Golden Harvest (Chengtian means Orange Sky in Chinese). After that, Huayi Brothers listed on the ChiNext of Shenzhen Stock Exchange in October 2009. Bona listed on the NASDAQ (National Association of Securities Deal Automated Quotations) in 2010. Enlight Media Group listed on the Growth Enterprise Market (GEM) in 2011. The other listed film companies are Huace Media (IPO 2010-10-26), Beijing HualuBaina Film & TV Company (IPO 2012-02-09). In addition, China Film Group, Shanghai Film Group, Wanda Cinema Line, and Galloping Horse are all planning to list domestically or outside China.

The central government has encouraged financial institutions to support the development of the film industry since 2010. In 2011, Minsheng Banking offered a RMB 150 million loan to the production and marketing of the film *Flowers of War* (*jinling shisan chai* 2011) by pledging the copyright. BONA film group received a RMB 100 million loan from the Bank of Beijing for the production of *Flying Swords of Dragon Gate* (*longmen feijia* 2011), and other films, by pledging its films and cinema circuits guarantee (Yin 2012:7-9). Shanda Media Group was the major investor for the film *Flying Swords of Dragon Gate* (Pang 2012:107-109).

In 2012, the Shanghai government introduced “Opinions on the implementation of promoting flourishing development in the Shanghai film industry” (*guanyu cujin shanghai dianying chanye fanrong fazhan de shishi yijian*), which encouraged the financial industry to support the development of the film industry and to enable Shanghai to become a film investment and financing centre. Eight banks, including Bank of China and China Construction Bank, provided loans of 1.3 billion RMB to the film industry in the following five years (Pang 2013:118–119). New media-focussed companies began to buy shares from film companies and invest in the production and distribution of films. For example, on 14 April 2011,

Tencent set up a fund with RMB 500 billion (around US \$80 billion) for the development of the film industry.

In addition, the scale of film funding was increasing. By August 2013, there were altogether twenty-four funds (see table 2.5 below) focusing on film investment among all the private equity funds set up by VC/PE in China. National Film Capital and Hony Film Investment Fund are the largest funds in China (Entgroup 2014:13–14).

Table 2.5: Film funds established from 2010 to 2013

Name	Establishment Year	Target (million)	Fund Management Companies
Hony Film Investment Fund	2013	3000	Hony Capital
Zhongxi Film Industry Fund	2013	1500	Zhongxi Film Industry Fund
Bona Noah Film and TV Special Investment Fund	2013	1000	NOAH Private Wealth Management
Harvest Seven Stars Media Fund	2012	800 USD	Harvest Seven Stars Media Private Equity Group
China Holly Movie Fund	2012	1000	The eagle venture
Le Vision Film and TV Cultural Fund	2012	1000	Le Vision Investment
Xi'an Qujiang Film Investment Fund	2012	200 (Initial stage)	Xi'an Qujiang Culture Industry Venture Capital
Flamingo Film Fund	2012	N/A	N/A
Huayingxing Picture Media Fund	2011	500	Huayingxing Pictures Investment
Chinawood Fund	2011	1000	APF
Chinawood Fund	2011	100 USD	APF
Tencent Film Investment Fund	2011	500	Tencent
Zhongguancun Film TV New media Copyright Fund	2011	200 (Initial stage)	Holder Fund
Chinese Film TV and	2010	5000	Qianxin Culture

Publishing Industry Investment Fund			
China New Film and TV Integration Fund	2010	800	WDH Private Equity Fund Management
China Holly Movie Fund	2010	300	HuiLi Fund
National Film Capital	2010	5000	N/A
Xing Kong Da Di Ying Shi Culture Development Fund	2010	1500-2000	IDG Capital Partners
HOPEFUL Film Fund (The first phase)	2010	N/A	HOPEFUL CAPITAL HOLDING GROUP

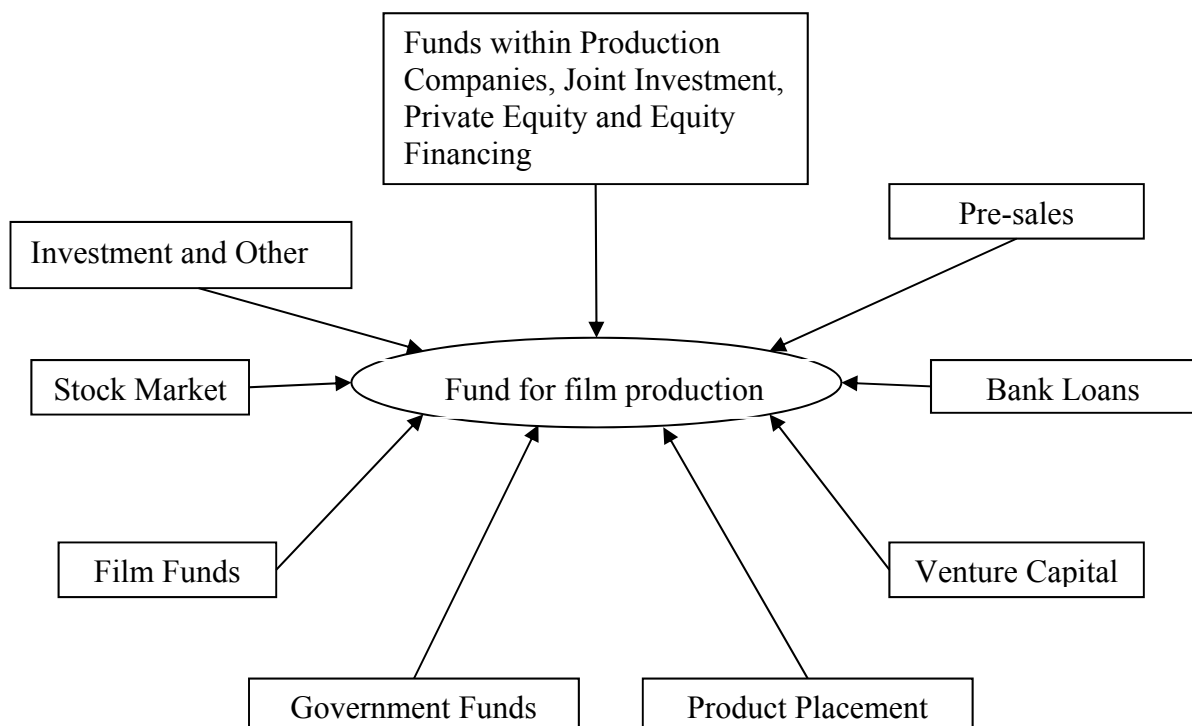
(Entgroup 2014:14, Chinese version)

In total, there are currently more than ten financing channels in China to raise budget for film production, as shown in figure 2.8 below. Product placement is becoming an increasingly popular means of financing production in China, in which the producer can gain revenue from advertisers while keeping operation costs relatively low. Pre-sale is a common financing option as well, and is normally used by big-budget films, in which production firms can sell their film copyright to different countries and earn guaranteed revenue before or during shooting. Private equity greatly benefits the development of some film companies. Huayi Brothers is a typical example. It raised a substantial amount of funds through private equity funds such as Taihe Media, Tom Group and HURRAY! and from individuals like the Chairman of Alibaba, the CEO of Focus Media, and the president of WanXiang Group. Venture capital started to invest in China's film industry in 2007, as mentioned above. Bona Film Group and Beijing Galloping Horse are two companies that expanded quickly through receiving millions in venture capital. Bank loans have not been a common financing option due to the high risk of film investment. However, as was mentioned above, an increasing number of banks have been offering loans to producers in recent years, especially after 2010, because of encouraging signs from government policy in such things as "financial industry supporting cultural industry" and also because of the growth of the Chinese film industry itself. Film funds, like venture capital, have a very short history in the Chinese film industry. The extraordinary growth of film funds was discussed earlier. According to the Engroup report (2009–2010:21), film fund investments were usually made by international and

professional teams, and this brought not only money but a professional management and transparency to financial operations for film projects. Stock market listings started in 2008.

Joint investment (cofinancing) is a common way for investing in film as it shares the cost and greatly lowers the investment risk. Also, investors from different countries or areas help gather resources and open up new markets. Government funds are currently mainly given to state-owned film companies to produce propaganda films. The available funds from the central government include the Special Film Fund, the Film and TV Mutual Fund, the Imported Film Revenue Fund (the fund takes a certain percentage of imported films revenue) and the Special Film Subsidy on Major Subject Matters. According to the Entgroup report (2009–2010:20), government funding exceeds RMB100M each year. Local government also provides funds. There has also been a lot of ‘hot’ money (money from sources outside the film industry) flowing into the film industry in recent years. In 2014, e-commerce giant Alibaba brought crowd funding for movies to China and launched a new finance product called Yu Le Bao, which gave common people a chance to invest in dramas or film productions (CMM-I 2014). Nowadays, films financed from multiple and mixed sources represent the norm.

Figure 2.8: Film financing channels in China



(Source: Entgroup 2010:19)

Foreign producers can not directly access these financial options except through their partner in China, which will be further discussed in Chapter Four. Looking at the figures, observers would be optimistic about the future of the Chinese film industry. The question remains, however: if the film industry is so strong, why is the government encouraging coproductions? Is the market producing an illusion of success?

2.5 Import and Export

Despite the rush of film finance from within China, the booming Chinese domestic market hides another ‘dark reality’, which is the lack of international success. Almost half of the Chinese market is dominated by imported films, most of which are American. The Chinese film import quota is almost entirely filled by American films. In contrast, the export data of Chinese film is very poor especially in terms of its global export. This section will briefly look at China’s import and export situation. Then I will examine the reasons for Chinese films’ poor performance globally, after looking at the problems inherent in Chinese filmmaking.

In order to stimulate the domestic box office, the government allowed the CFCC to import ten Hollywood films per annum on a revenue sharing basis from 1994. A Warner Bros film *The Fugitive* (1993) was imported under the quota, marking the PRC’s first step in opening up the film industry; it achieved significant box office success (Miller 2005:319-325). Although the ten Hollywood films revived national cinema attendance, they accounted for over half of the gross revenue, which caused deep concern and led to heated debate on how to protect the domestic film industry. In 1996, the government introduced the rule that at least two-thirds of screen time should be occupied by domestic films, a policy that remains in place today (Rosen 2002). There are other protective policies, which have already been mentioned above and will be further discussed in Chapter Four to reflect the reasons for gaining the status of official coproduction in China. The US also pressured China to further increase annual import quotas and loosen the strict approval procedure for imported films. Hollywood went to great lengths to persuade China to end the China Film Group’s distribution monopoly. In 2003, this pressure was reflected in the opening up of foreign distribution competition in the form of the Huaxia Film Distribution Co. (Miller 2005:319-

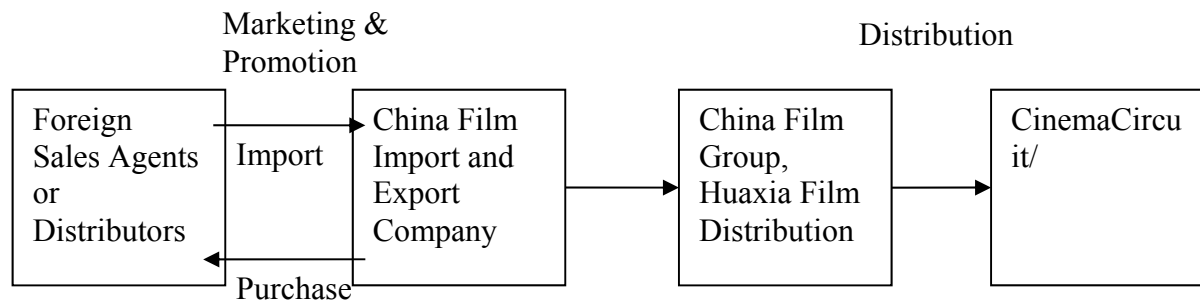
325). China Film Group, representing the central government, has controlled film import. This can be seen as the government's control of culture and ideology coming into China.

Currently, the Chinese government has allowed around 64 films to be imported annually since 2012. 34 films have been imported, mostly from Hollywood, using the sharing revenue modal (*yinjin pian*), including 14 IMAX or 3D films, and the other 30 films were flat-fee films, or imported buyout films (*maiduan pian* or *pipian*); effectively a flat-fee is paid for the copyright of the film to the independent producer, mostly American but also from other countries. There were some special imports allowed, such as those from Hong Kong. China Film Group and Huaxia Film are the only two companies that are allowed to import films into China. More competition may be introduced at a later time; China Culture & Art Corporation (CNCAC) under China's Ministry of Culture (MOC) (Zhongyi)⁷ may become the third imported film distribution company, which will break the duopoly of China Film Group and Huaxia Group (CMM-I 2014).

The procedure for importing revenue-sharing films and flat-fee films are different (see figure 2.9; 2.10 below). For flat-fee films, other distribution companies can participate and compete in the initial selection, and recommend films to China Film Group and the China Film Import and Export Company. After a review by SARFT, the China Film Import and Export Company will be responsible for the customs entry. The distribution company then assists in the promotion of the film in China. Compared to revenue-sharing films, flat-fee films have more difficulty in earning strong box office returns in China, as revenue-sharing films (mostly US blockbusters) will prioritise theatre schedules and (distributors and exhibitors) will also tend to market the product more prominently. Due to the extremely restrictive import quotas for revenue-sharing films, coproduction is the only way for foreign filmmakers to access the explosive growth in the Chinese film market.

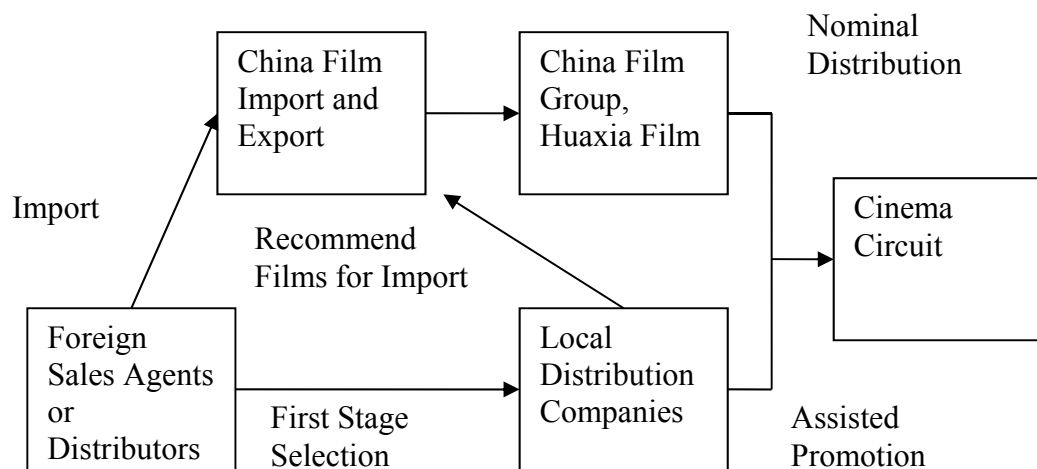
⁷ Founded in January 1987 and affiliated to the Ministry of Culture, CNCAC mainly deals with commercial performances, art exhibitions and other foreign-related cultural projects. The company has a license to import stage plays, musicals and dance performances.

Figure 2.9: Operation of Revenue-Sharing Imported Films



(Entgroup 2010: 45)

Figure 2.10: Operation of Importing Flat-fee Films



(Entgroup 2010: 46)

Chinese films are mainly exported to North America, the Asia-Pacific region and Europe. The Asia Pacific region is the main revenue stream for Chinese film exports. Most exported films are coproductions by major players in China – Shanghai Film Group, China Film Group, and Bona Film Group, Huayi Brothers, Sil-Metropol, Le Vision, Enlight Pictures, New Pictures. China Film Promotion International (CFPI) was established to be responsible for promoting the export of Chinese films. However, overseas revenues have remained low. The

poor performance of Chinese films overseas has become a major strategic challenge for the government. From Table 2.6 below, we can see that overseas revenue increased gradually from 2003 to 2010. The year 2010 marks the peak revenue of more than 3.5 billion RMB. In that year, the Sino-US coproduction *The Karate Kid* (*gongfu zhimeng* 2012) contributed almost half of that revenue. According to the figure from CFPI, 75 films were exported in 2012, out of a total domestic production volume of more than 700. The forty-six coproductions constituted 61.33 per cent of total exports. Of the 2012 overseas revenue of RMB1063 million, most came from key Chinese coproductions: Huayi Brothers distributed nine coproductions overseas in 2012, with total revenue of RMB338 million; followed by Le Vision: three coproductions with RMB 113 million. China Film Group distributed five coproductions abroad, receiving revenue worth RMB111 million. Bona Film Group sold four coproductions overseas and earned RMB 104 million, followed by Sil-Meltropole, four coproductions worth around RMB 87 million (Media.China 2014).

Table 2.6: The overseas revenue of Chinese film 2003-2014 (Unit: 100 million RMB)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oversea revenue	5.00	12.00	16.50	19.00	20.20	25.30	27.59	35.17	20.46	10.63	15	18.7

Created by author based on Li 2014: 117

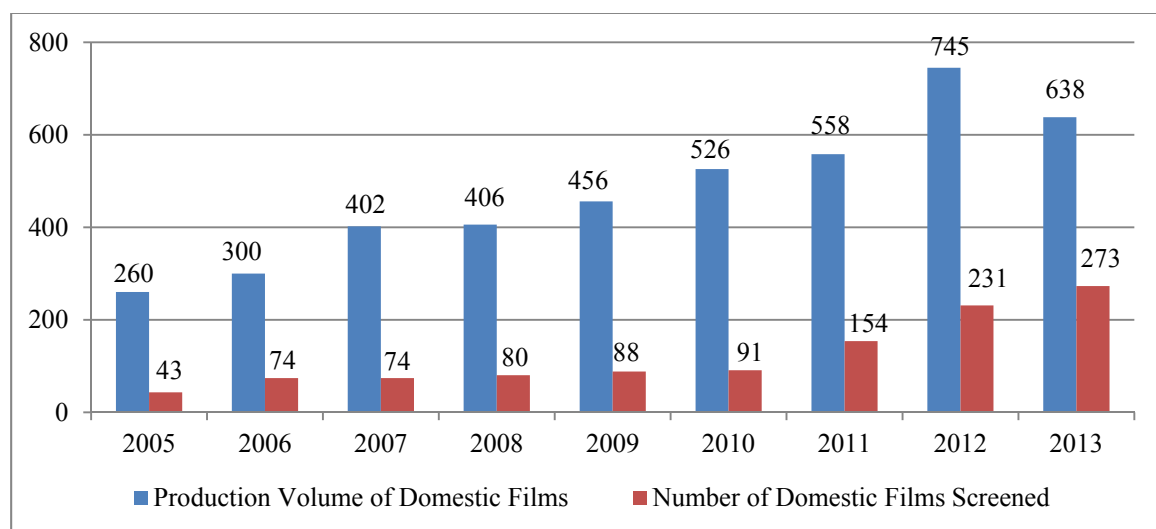
Promoting Chinese film ‘going out’ is not only a commercial problem but also a political issue, one which, as we have seen previously, directly goes to the nation’s capacity for soft power. Coproduction is a strategy to address this issue. It offers the opportunity for satisfaction for both sides and is also a constant challenge to the ability to compromise without sacrificing quality. The Chinese film industry has approached the challenge of coproduction as a way of transitioning from excluding Hollywood through the use of quotas to improving China’s film industry through collaboration, which in turn leads to a strong learning curve for local producers from their more experienced international partners.

2.6 The dark (and bright) side

No one can deny that China has become a huge market for film production and consumption. However, a substantial number of films are never distributed (see figure 2.11 below) and on average more than 80 per cent of a film’s cost is not covered by box office revenue. Chinese film scholar Yin Hong (2011:10) believes the reason for this is that a vast amount of non-

commercial capital, such as government funds and hot money, flow into the film industry and this results in the production of films that lack commercial appeal. Some of the films made are just testing the water, but some return money to investors. Nevertheless, there has been a considerable rise in films that make it to cinema release compared to previous years – in 2012, roughly 30 per cent. In 2013, production volume decreased, but more films were screened. This trend indicates that domestic filmmaking has started to transition from being driven by hot money to more reasonable and commercial arrangements.

Figure 2.11: Total Number of Domestic Feature Films and Number of Screened Domestic films 2005–2013

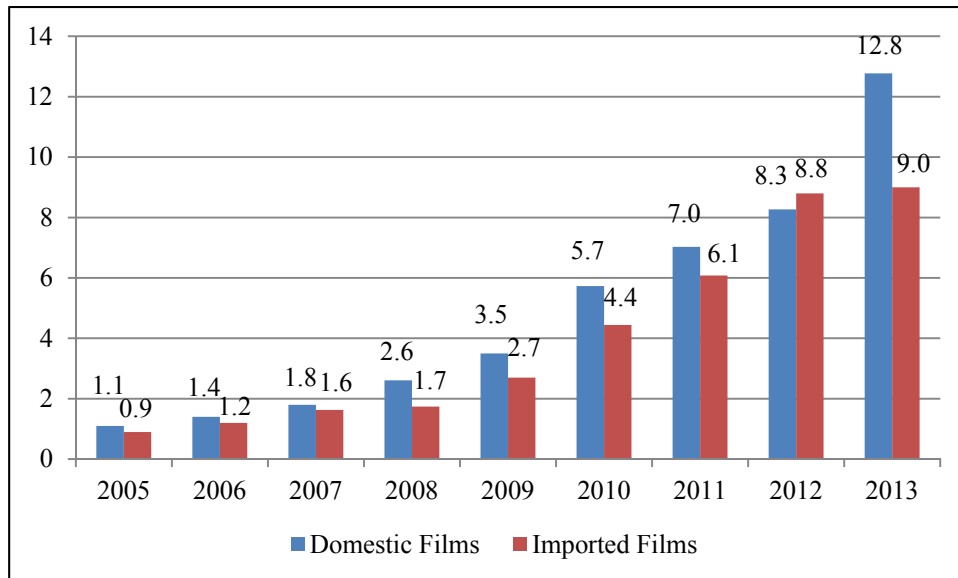


(Created by author based on Entgroup China Film Industry Report 2010–2011, 2012–2013, 2013–2014)

Unlike Korea and Japan, most films released in China are domestic productions. In 2014, Korea screened over 800 films of which only 210 were domestic films. Japan released over 1000 films with about half being domestic. In those two countries, local films constitute a much lower ratio of the total films being screened than is the case in China. In China, a small number of imported films, mostly from Hollywood, take nearly half of total box office revenue per annum (see figure 2.12 below). In 2014, more than 300 films were screened in China, of which only 67 were imported films. Hollywood has long pushed the Chinese government to further open the booming film market and, after the increase in the import quota from 20 to 34 in 2012, many local producers predict that the import quota share will increase in 2017–2018 when the China-US Memorandum expires. According to Clifford

Coonan, China's foreign movie quota expansion is just a matter of time. How will Chinese filmmakers face the challenge of greater Hollywood competition? (Coonan 2014b)

Figure 2.12: 2005–2013 Box office of domestic and imported films (Billion)



(Created by author based on Entgroup China Film Industry Report 2010–2011, 2012–2013, 2013–2014)

In 2012, the first year of the revised Sino-US Memorandum of Understanding (MOU), imported film revenue surpassed domestic revenue, even though domestic films were strongly protected by the government. The top 10 box office films in 2012 included only three Chinese films: *Lost in Thailand* (*taijiong* 2012), *Chinese Zodiac* (*shier shengxiao* 2012) and *Painted Skin: the Resurrection* (*huapi* 2012) (see Table 2.7 below). The latter two are China-Hong Kong joint productions, the others are Hollywood productions. All the top 10 films are high-cost 3D or IMAX, except for *Lost in Thailand*. The addition of an extra 14 IMAX and 3D films to the quota after the signing of the MOU between China and America in 2012 stimulated Chinese film producers to invest more in high-cost films. The figures for 2013 and 2014 saw domestic films' box office revenues exceed those of imported films again. An obvious trend in recent years, especially 2013 and 2014, is that more and more small and light (compared to big budget blockbuster) films, focusing on reality (films with contemporary settings and reflecting some current social values and problems) or romantic subjects, are becoming even more popular than Hollywood blockbusters in China. Examples

include *So young* (*zhi women zhongjiang shiqu de qingchun* 2013), *Finding Mr.Right* (*Beijing yushang xiyatu* 2013), *Tiny times* (*xiao shidai* 2013), *American dreams in China* (*zhongguo hehuoren* 2013).

Table 2.7: Top 10 box offices in 2012

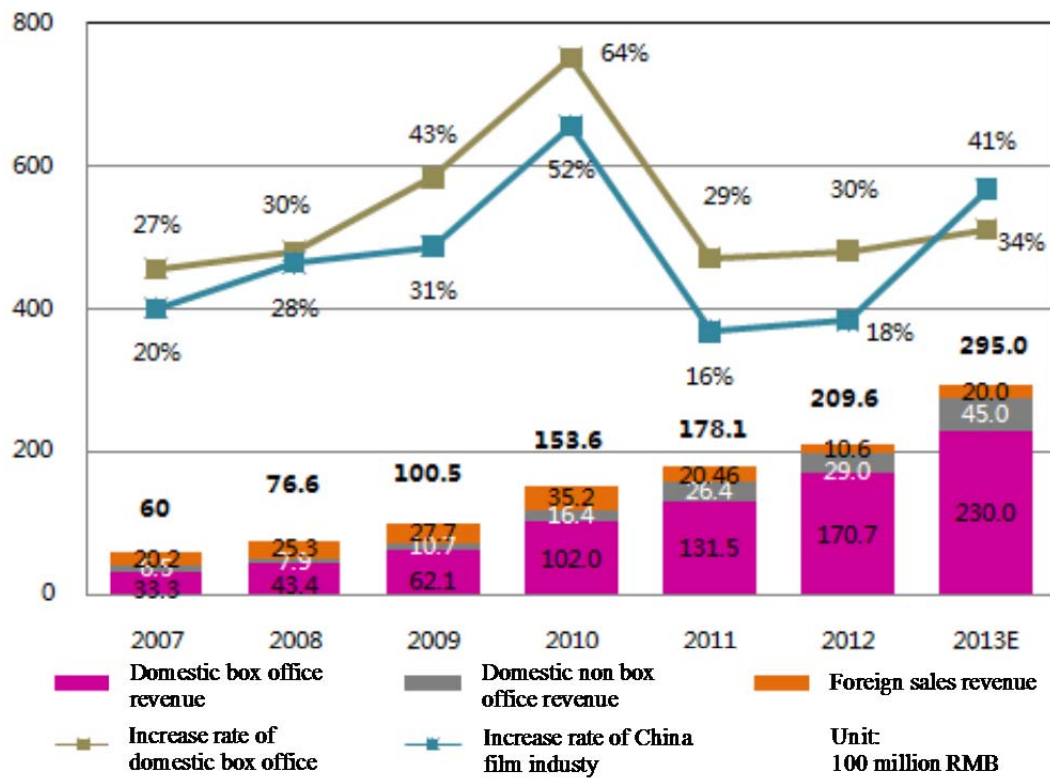
Monthly Distribution	Ranking of Box Office	Film	Category	Total Box Office (100 million)
January	4	Mission: Impossible	Action	6.48
February	10	Journey 2: The Mysterious Island	Action / Adventure	3.71
April	2	Titanic in 3D	Drama /Romance	9.77
May	5	The Avengers	Action/ Fantasy	5.75
	8	Men in Black 3	Action/ Sci-Fi	5.20
June	3	Painted Skin: The Resurrection	Mystery / Romance	7.26
July	9	Ice Age: Continental Drift	Animation	4.58
November	6	Life of Pi	Adventure/ Drama	5.70
December	1	Lost in Thailand	Comedy	9.94/12.48
	7	Chinese Zodiac 2012	Action	5.29/8.6

Source: Entgroup 2013: 25 (Chinese version)

Moreover, in most major film producing countries like America, the national theatrical box office only accounts for less than a half of a film's total revenue. The majority comes from foreign sales revenue, TV and online broadcasting, and merchandising (Yin 2013:17-18). However, the film market in China is not a diversified market and relies heavily on domestic box office revenue. This can be shown in the division of film industry revenues from 2007–

2013 (see figure 2.13 below). This shows up as a small percentage for domestic non-box office in the total revenue. Wang Changtian, the CEO of Enlight Media Group, said: ‘the film market in China is quite underdeveloped. It is not normal that the box office takes up 90% of the total revenue of a film. In addition, piracy further reduces the box office revenue. In a word, it is rather difficult to get profit in China by investing in film’ (Yin 2013:17-18).

Figure 2.13: Chinese box office from 2007–2013



Source : EBOT艺恩日票房智库

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On the bright side is the development of online video-sharing websites in recent years that have provided a new platform for the film industry. In China, websites such as Youku, Tudou, Ku6, Sohu, iQIYI, Douban, Funshion, CNTV, Mtime, Le TV, PPTV, have jointly established ‘New Media digital Cinema Chain distribution platform’ and promoted video-on-demand services, usually charging 3–5 RMB for new films (Pang 2012: 106). The new concept of Internet Theatre is gradually forming. An agreement was reached by the major video-sharing websites that films can be shown online, for a fee, for 60 to 90 days after a film’s domestic release. The agreement also requires a complete copyright protection system and no

interstitial ads. These online distribution sites therefore provide a new revenue source for domestic films (Yin 2013:17-18).

2.7 Explaining the lack of international success

The discussion above attempts to reveal the problems from an industry perspective. There are several important factors that explain why Chinese filmmaking lacks international success. Before entering into discussion about the disadvantages that China possesses in international market competition, it is better to be clear about what ‘success’ means. Rosen (2010: 51) states that ‘it is unrealistic for China, or any other country, to expect to match Hollywood’s box-office success in North America or in the international market ... China (including Hong Kong) has probably done at least as well as other nation in terms of box-office success outside its home market’. American-Chinese film scholar Zhu Ying (2002) points out that, given the short time that the mainland film industry has been commercialised and industrialised, its achievements are considerable. Nevertheless, as we have seen with some of the more ambitious claims around Chinese soft power canvassed in the Introduction, if the ambition is to compete with Hollywood, then there is little success to point to at this stage. Amongst the formidable obstacles to achieving this goal must be counted those that are self-imposed, such as government interference and censorship. But the main ones are structural. As Rosen (2010: 36) notes: ‘there are clear limitations on how successful any country can be in competing with Hollywood outside (and in most cases inside as well) that country’s home market’. The next section will look at external factors and then at the self-imposed, internal obstacles.

Cultural discounts, referring to the problem of translation of movie and audio-visual works when they cross state and linguistic borders (Straubhaar 2007), are certainly primary issues. As Hoskins, McFadyen and Finn (2000:127) argue: ‘one characteristic of films – and of media products in general – is that they suffer a cultural discount when traded across international boundaries’. Consider certain blockbusters produced by China’s ‘fifth generation’ directors as cases in point. The Chinese-style black comedy blockbuster *Let The Bullets Fly* (*rang zidan fei* 2010), directed by Jiangwen, and Feng Xiaogang’s blockbuster *Aftershock* (*tangshan da dizhen* 2010) were difficult for international audiences, especially Western viewers, to read due to the background knowledge and social values needed to appreciate these kinds of films. Unlike, for example, Mr. Bean, who entertains global audiences in all kinds of embarrassing situations without relying on dialogue, *Let the Bullets*

Fly amused Chinese audiences by its long dialogues of black humour, which not only required a knowledge of the Chinese language but also knowledge of the Northern Warlords era in history and ‘the introspection of the negative side of the national character of the Chinese’ (Hu, 2010 cited in Chen 2012) to appreciate the depth of the humour. Feng’s *Aftershock* tells a story about family reunion after the 1976 earthquake in Tangshan that killed 2.4 million people. Even though knowledge or memory about the painful earthquake is not necessarily required, an understanding of the impact that traditional son-favoured social values have on today’s Chinese society is needed. However, this value is difficult to read for Western audiences. The whole story about the long-awaited reunion of a broken family in that earthquake, which started from a difficult choice of a mother to save her son while giving up her daughter to the rubble, does not have the same emotional connections for a viewer from a different cultural background (Chen 2012).

The more familiar audiences are with Chinese films, the better they will understand them. As Brasell (1992: 55) says, processing media messages is ‘a learned cultural practice’. That is to say, as Chu points out, ‘If the West is to become a more competent reader of Chinese media products, it needs to significantly expand its interpretive frame of references’ (Chu 2014:161) and embrace an ‘accumulation of media experience’ (Staiger 2005:59). This accumulation, as Zhang (2004) notices, has mainly worked through Chinese film reception, foremost through the films of Zhang Yimou. Zhang Yimou’s early films, which were received enthusiastically in the West, insist on picturing an ugly China full of poverty and immorality, and were banned in China, while Zhang’s later approved films received much less flattery. Yingchi Chu (2014: 159-169) addresses some reasons for the ‘apparent incommensurability of interpretative attitudes in the consumption of Chinese media products in the West’ and notes the significant role that differences in political systems play in the communication between China and the West, ‘so much so that many Chinese soft power products are viewed as propaganda in the West simply because they issue from a Communist regime’ (Chu 2014:159). Chu (2014: 160) notices ‘the logic of transnational politics that powerfully intervenes in cross-cultural media consumption’ and discusses the problem of cross-culture audience expectations and ‘politics of reception’, which can be understood as the ‘politics of media consumption practices’ in the regime of Western audiences and Chinese media products consumption. ‘There is a degree of reticence in the western reception of Chinese media products that has less to do with cultural Chineseness than with the fact that soft power package also contains a hefty dose of the ideological persuasion of the current Chinese

government'. Zhang Yimou withdrew his films *Not One Less* and *The Road Home* from the Cannes Film Festival in 1999, saying that he 'can't accept that the West has for a long time politicized Chinese films. If they are not anti-government, they are just considered propaganda' (Cited in Rosen 2010: 54). Rosen (2010:53) asserts that 'it is not uncommon for critics and audiences to read politics-either positively or negatively-into Chinese films'. If an approved film coincidentally tapped into the expectations of the West, there is always suspicion alongside the appreciation that the film's 'benign surface may cover some subtle propaganda on behalf of China's centralized government' (cited in Rosen 2010:53).

The response to *Flowers of War* (*jinling shisan chai* 2011) in the US exemplifies the way in which Chinese films are often interpreted through a political lens. It was the first Chinese film with a major Hollywood star (Christian Bale), and was also equipped with huge budget. 40 per cent of the dialogue was in English and it had the leading provider of international marketing services to the film industry, DDA Public Relations, for marketing and distribution. However, with powerful political elements of Japanese imperialism in the narrative, concern soon transferred from an artistic to a political discussion. It was criticised by media and audiences as a nationalistic patriotic film manipulated by the Chinese government to portray a distorted history of the Nanjing massacre (Chen 2012). Donald and Voci (2008) state that 'selling a 'banned' film to a non-Chinese-speaking audience is easier than trying to persuade people that a mainstream film with subtitles might be educational and entertaining'. Chen (2012) goes further, to make two ironic equations: politically sensitive or offensive Chinese films, usually are internationally acknowledged/acclaimed Chinese films; those politically implicated or supportive Chinese films are often internationally slighted and disliked. Thus, those underground films (films banned by the government in mainland China) such as Zhang Yimou's *To Live* (*huozhe* 1994), Joan Chen's *Xiuxiu* (1999), to some extent occupy a considerable amount of the international market. 'The underground quality appears in many cases to be a question of style rather than substance, again sceptics allege that some young filmmakers are not actually censored by the Film Bureau, but elect to bypass its official approval processes so that they can claim the status of being banned, dissident or underground and so enhance their recognition and credibility abroad' (Donald and Voci 2008). The reasons for the popularity of underground Chinese films are multiple. From my point of view, banning something is an easy way to stimulate the curiosity of human beings. Also, as the Chinese government is notorious for its propaganda in Western minds, people abroad tend to believe that the banned content reflects more of the reality about China. In

addition, ‘accumulation of media experience’ (Staiger 2005:59) about negative aspects of China in the past can affect foreigners’ choice of today’s media content. To answer why the West always tends to politicise Chinese films and has expectations of an ugly China is beyond the scope of my research. The long-term censorship and government interference in film production is well-known to the West and definitely contributes to the answer, but this can not all be attributed to China. As some scholars observe, ‘it has partly to do with a westerner fear of a rising China beneath which one can discover a deeper set of questions concerning identity’ (Chu 2014:170); ‘This fear is an expression of the West facing “a loss of centrality” which amounts to nothing less than a serious identity crisis’ (Barr 2011: 3-6, Chu 2014:170)

Reform and the opening up of the Chinese film industry certainly have promoted the role for commercialisation and entertainment in film production while toning down politics and propaganda. However, as Darrell William Davis (2010:123) puts it: ‘marketization is not an end in itself but is rather intended to boost the quality and quantity of Chinese films, moving the PRC steadily toward a major soft-power role in the international arena ... marketization must assist Chinese cinema, but it must also uphold socialist tenets while entertaining and enlightening audiences regarding Party legitimacy ... “freedom” in the market place....subject to proper authority and control’. Zhu and Nakajima (2010: 33) also state that ‘the Chinese state has managed the marketization of the Chinese film industry with two goals utmost in mind: making the industry competitive in globalized markets while also maintaining the state’s grip on culture’. This ‘grip on culture’ is mainly processed through government interference and censorship which has been criticised by both insiders and outsiders in the Chinese film industry as a great obstacle to film creation and industry development. Nye (2012a:8) urges that ‘the development of soft power needs to be a zero sum game. All countries can gain from finding attraction in one another’s cultures. But for China to succeed in this, its politics must unleash the talents of its civil society. Unfortunately, that does not seem about to happen soon’. Due to China’s political structure, and philosophy behind the structure, as discussed in Chapter One, it is unavoidable for a cultural industry, especially the film industry, to ‘dance with shackles’ to seek a balance in its ‘ambivalent or double-functioned’ status at the ‘discursive disposal of the government’ (Su 2010:318). Insiders such as Hanhan, a very popular blogger, novelist, and new generation film director, argue that ‘the restriction on cultural activities makes it impossible for China to influence literature and cinema on a global basis or for us culturati to raise our heads up proud’ (cited in

Nye 2012a:8). When Zhang Yimou was asked why his films are always set in the past, his answer was that contemporary Chinese topics would be ‘neutered by the censors’ (Cited in Nye 2012b:13). This consideration must resonate with most filmmakers, given the proliferation of historical films and melodramas in China.

However, as for the Chinese ‘inward-looking’ and ‘outward-looking’ (Barr 2011: 28; 2012: 82) soft power implications mentioned in Chapter One, the soft power product offered domestically ‘needs to avoid chaos at all cost, including heavy-handed censorship, in order to ensure social stability and national unity’ (Sun 2010:66), ‘while what is disseminated abroad must take greater cognizance of western audience expectations’ (Chu 2014: 161). The interpretive ‘horizons of expectations’ characteristic of Western and Chinese audiences are, not surprisingly different (Chu 2014: 169). As the former Beijing bureau chief of the *Washington Post*, John Pomfret asserts, ‘almost every major cultural export from China over the past 25 years that has made it in the West has flopped in China, from the early movies of director Zhang Yimou, to the Nobel Prize-winning work of author Gao Xinjian’ (cited in Rosen 2010:52). The government has been conducting a strategy to humanise and commercialise main melody movies and to incorporate traditional Chinese cultural elements and Hollywood techniques into kung-fu movies, as mentioned in Chapter One, to exercise soft power. It might create some box office success domestically because of market protection from the government to ‘ensure domestic box office performance for favoured films which are produced for political reasons’ (Rosen 2011). Examples can be seen from *The Founding of a Republic* (*jianguo daye* 2009), which was made to celebrate the 60th anniversary of the establishment of the PRC in 1949. Almost all of the cast in this film are A-listed pop stars in China. Needless to say, ‘such films do little to promote Chinese soft power abroad’ (Rosen 2011)

Rosen (2010:54) points out that if China’s goal is to compete with Hollywood at the box office, the strategy is continuing to ‘do coproductions and to partner with Hollywood distributors to promote their films globally, with wide releases, and to develop franchise titles through sequels of successful films’. Though he urges the government to ‘reduce censorship and political considerations and promote the artistic visions of talented directors for a healthier domestic market’ (Rosen 2010:54), the practice does not seem easy. The former coproduction strategy is actively employed by government to deploy soft power. State-owned and private media conglomerates in China are encouraged to seek box office success and

increase artistic recognition in Western markets through coproduction. The following section will look at the internationalizing strategies of these large media companies.

2.8 Major players and their Internationalisation strategy

Except for the two state-owned conglomerates, China Film Group and Shanghai Film Group, the major players in China are private companies, including Huayi Brothers, Bona Film Group, Orange Sky Golden Harvest Ltd. Stellar Film Group and new film companies like Enlight Picture, Galloping Horse, Dadi Movie, and Le Vision Pictures. Those major players are trying to build a complete vertical industry chain and, therefore, have been engaged in production, distribution and exhibition. State-owned companies such as China Film Group and Shanghai Film Group and private companies such as Huayi Brothers and Bona Film Group all have invested in cinema. Huayi Brothers is a good example. It started to grow following the liberalisation of China's film industry in 2001–02. Now it has a complete film and TV production and distribution chain, including a chain of multiplex cinemas. The company has also built theme parks. One on Hainan Island features concepts from the Huayi-produced movies of Feng Xiaogang (Frater 2014b).

Horizontally, mergers and acquisitions are used by major players to enter into the international market. In 2012, Dalian Wanda Group announced the acquisition of AMC Entertainment for \$2.6 billion, which made Wanda the biggest theatre operator in the US. The CEO, Wang Jianlin, said that the goal of the Wanda Group was to become a first-class transnational enterprise by 2020. The AMC acquisition was just the first step of this internationalist strategy (Xinhua News 2012). Galloping Horse (70 per cent) and India's Reliance Media came together in a joint venture to purchase the Hollywood-based VFX company Digital Domain's core assets. Shambaugh (2013:255) points out that 'China's film industry is trying to go global ... it is trying to buy soft power rather than build it'.

I do not totally agree with Shambaugh's statement. The key players are trying to go global by establishing long-term relationships with the US through coproduction. It takes time. 'Buying Hollywood' is the first and necessary step. The CEO of Huayi Brothers, Wang Zhongjun, said: 'I have spent lots of time to meet Hollywood producers and directors and to learn from Hollywood last year (2013). I found that Hollywood film formats actually are similar to China. If I can have three leading director from Hollywood, there is a chance that we could become first-class film companies in America' (Wang cited in Meng 2014). Also, News Corp

took nearly a 19.9 per cent stake in Bona in 2012. Bona Film will now be financed by News Corp and signed an agreement with Fox for future coproduction. Bona also has coproduction agreements with Universal and Working Title. Bona CEO, Yudong, said, 'If Bona is able to control 7 per cent to 10 per cent of the market going forward, we're in position to become one of the biggest film companies in the world' (Tartaglione 2013).

China Film Group has made an eight-figure equity investment in projects with Thomas Tull's Legendary Entertainment, including productions of *Seventh Son* and *Warcraft* and Paramount Pictures 3D fantasy-action movie *Marco Polo*. *Seventh Son* and *Warcraft* marked the first time that the state film group had taken a stake in a Hollywood project. The newly installed China Film Group CEO, La Peikang, said, 'China Film Group has been paying close attention and great devotion to expanding its overseas market' (Coonan 2014a). Shanghai Media Group signed a multi-year partnership agreement with Walt Disney Studios to codevelop Disney-branded movies for Sino-US coproductions in March 2014. Under the deal, US-based writers will cooperate with Chinese writers and filmmakers to develop scripts that combine Disney's storytelling with Chinese elements (The Deadline Team 2014)

It is not only China's film companies that are seeking opportunities to please Hollywood, but Hollywood is trying very hard to find a way to work with China, which contributes to local film companies becoming international. In 2012, in addition to the News Corp's purchase of a stake in Bona, Cameron Pace Group formed a joint venture with Tianjin Hitech Holding Group and Tianjin North Film Group to focus on 3D entertainment in China in 2012 (Xinhua 2012). Discovery and IPTV player Wasu also established a joint venture, with registered capital of US\$20 million, in Hangzhou that aims at producing high quality documentaries for distribution via the Discovery Network to more than 220 countries (CMM-I 2014). The phenomena of capital investment and joint production have blossomed since 2012. In recent times, seven Hollywood deals were signed during two weeks in March 2014 (CMM-I 2014).

Keane believes that it will still be some time before the wider world starts watching Chinese films in the way people in China watch Hollywood films. 'Everyone in the world understands what a Hollywood film is, which is transparent. Everyone in the world understands what Hollywood is, so Hollywood can travel anywhere, but Chinese film has a great deal of difficulty getting out of its own container' (cited in Birtles 2013). That is true. However, the time for people to watch Hollywood blockbusters produced with Chinese companies, or

through funds invested in those companies, seems to be coming. As we will see in the next chapter, coproduction has already contributed to nearly half, or even more, of the mainland box office in the past several years. However, most of these productions are with Hong Kong, based on a long-standing relationship. How much box office will come from Sino-US and other Sino-foreign productions in the future is still a question to be decided. Though the topic of coproducing with other countries, especially the US, is debated heatedly at home and abroad when talking about Chinese film industry, the real situation is far from sure due to the many cultural and political challenges that face foreign relationships. This factor will be discussed in the Sino-US and Sino-Australia chapters.

Chapter 3 Film coproduction

In the previous chapter I discussed the revenue sharing models that apply in China. One of the key points is that coproductions offer a better return for the filmmaker. However, executing a successful coproduction is far from easy. This applies not only to coproductions involving Chinese partners. This chapter, therefore, begins with the inception of international coproduction and explains why coproductions have emerged as a strategic model of film industry development. It then describes China's coproduction history. Finally, it outlines current coproduction models. This chapter shows why coproduction is seen as a viable way forward. The ensuing chapters trace the vicissitudes in detail of the coproduction case studies.

3.1 Defining International Coproduction

An international coproduction is where two or more production companies or broadcasters from different countries get together produce a film under an official treaty or other type of formal cooperative arrangement. Hoskins, McFadyen and Finn (1997:102-103) use the term "international coproduction", or just "coproduction" to include any production/business arrangement between organisations based in different countries, ranging from cofinancing, where one partner's primary role is provision of a cash investment, to full coproduction where the creative, artistic, and financial contributions are roughly equal. "Treaty coproduction" refers specifically to a coproduction undertaken through a bilateral or multi-party treaty; the treaty works are counted as domestic content in each of the partner countries for quota purposes and have access to investment and tax incentives from the relevant government funding agencies. Non-treaty coproduction is sometimes known as 'coventure' to refer to international coproduction with countries with which there is no treaty existing, notably the US.

Miller et al (2005: 173-213) use the term coproduction to describe different types of collaborative work in film and television emphasising the international division of cultural labour, and divide it into treaty coproduction (official coproduction) and equity coproduction (non-treaty coproduction). They (2005: 182) state that official coproduction means that each partners' government recognises the work 'as a product of national culture, and accordingly grant[s] subsidies and tax breaks in the name of protecting national culture and fortifying national industry'. Non-treaty coproduction, according to Miller et al (2005: 182), applies

when both partners hold equity: ‘they take a percentage ownership in a project or production company, rather than buying territory rights for initial distribution. Equity partners have a voice in the projects that are developed, but the level of input into creative decisions can vary considerably’. As collaboration in filmmaking is capital driven, some participants even equate international ‘coproducing’ with ‘cofinancing’ (Morawetz, Hardy, Haslam and Randle 2007 cited in Baltruschat 2010:27). However, Light (1994:79-80) points out that the distinction between these two concepts depends on whether or not there is a shared creativity in the development and production. Baltruschat (2010: 27) argues that although there is a difference between the terms treaty coproduction and non-treaty coproduction, they tend to be used interchangeably. ‘Non-treaty coproductions – better referred to as coventures – include collaborative business ventures between countries that do not have a treaty and coproductions that fall outside specifications outlined in a treaty’.

The classification system in China is a little different from the broad definitions above. According to the *Rules for the Administration of Sino-Foreign Cooperative Film Production* (Order of the State Administration of Radio, Film and Television No.31, 2004), the term “Chinese-foreign cooperative film production” refers to collaboration between domestic film producers who have obtained a License for Film Production (referred to as Chinese parties) and overseas film producers (referred to as foreign parties). The current provisions apply to coproductions between Chinese and foreign parties within or outside China, including feature films, animated works, films for television and documentaries. There are three approaches to Chinese foreign cooperative film production: joint production, assisted production and entrusted production.

Treaty coproductions (films produced under formal state-level agreements between China and other countries), are joint productions. These films are automatically recognised as equivalent to domestic films in both countries. Coproductions with countries that have not enacted agreements with China, like the US, but where the product meets the Chinese government’s qualification for films can be exempt from import quotas and treated as a domestic film in China if they are classified as joint productions. In the main, this thesis focuses on joint production, where investment, production and the benefits and risks are shared by the Chinese and foreign parties. Joint production is the type of coproduction in which we see most transfer of knowledge and know-how and is mostly encouraged by the

Chinese government. How these concepts work in practice will be shown in the next and subsequent chapters.

In Mandarin, coproduction literally translates as *hepai*, which means producing together. Most coproductions are referred to as joint productions (*lianhe shezhi*, or *hepai*) under the regulation classification; that is, Chinese and foreign parties share investment, jointly produce the film, and jointly share the benefits and the risks. The China-International Film Coproduction Handbook (English version) published by CFCC (2014) directly names joint production as coproduced films that are ‘subject to preferential policies that are typically applied to domestic Chinese films within the Chinese marketplace’. In China, there are three criteria since 2012 that must be met for joint productions to be approved as an official coproduction if not under a treaty. First, the ratio of the Chinese party’s capital contributions should be not less than one third of the budget. Second, a Chinese actor should be cast in one of the main roles. And third, some parts of the movie should be shot in China. Treaty coproductions comply with the rules of a treaty or agreement between governments, although the requirements may differ from agreement to agreement. Because Hong Kong is geographically part of China and has a long coproduction history with China, all the Hong Kong-China coproductions mentioned in this thesis, and especially those made after the implementation of the CEPA in 2003, are joint productions and treated as domestic films in China. Coproduction with Hong Kong will be further discussed in Chapter Five.

There are another two kinds of cooperation in film production between Chinese and foreign parties. One is assisted production (*xiezu shezhi*, or *xiepai*), whereby a foreign party invests in production in China, and the equipment, apparatus, sites, services and so on are provided by the Chinese party. That is, Chinese companies are contracted to provide services to the foreign party. The other is entrusted production or commissioned production (*weitu shezhi*, or *daipai*), whereby the Chinese party is entrusted by the foreign party to produce films within China. Table 3.1 shows the differences between these three types of coproduction as represented in an unpublished document of major Chinese law firm Hylands.

Table 3.1: Sino-Foreign coproduction films

Key Points	Joint Production	Assisted Production	Commissioned Production
Funds	Jointly invested by the parties	Invested by the Foreign Party	Invested by the Foreign Party
Equipment & Facility	Determined in the agreement	Provided by the Chinese Party	Provided by the Chinese Party
Site of Production	Inside or outside China	Inside China	Inside China
Labor	Determined in the agreement	Provided by the Chinese Party	Provided by the Chinese Party
Profit	Shared by the parties	Rent and employment	Contracting
Loss	Jointly absorbed by the parties	Undertaken by the Foreign Party	Undertaken by the Foreign Party

Source: Hylands Law (unpublished 2014: 4)

As assisted production and commissioned production do not involve any financial investment from a Chinese partner, the copyright only belongs to the foreign party. In joint production, both parties invest in the film. There are usually two models for revenue sharing and distribution between China and foreign producers in joint production. One is called area revenue sharing (*quyu fenzhang*); that is, the different territory producers will take their respective share. The other is global revenue sharing; that is, the copyright in each geographic area is collectively possessed by all investors and shared, while each of them is solely responsible for the distribution in their own territory (Entgroup 2011: 20). The former model is widely used for Chinese coproductions due to the underdeveloped film mechanisms and challenges of coproducing in China, as will be discussed in the following chapter. However, the latter model is increasingly being adopted along with the rapid growth of Chinese domestic market. According to a leading Chinese film lawyer, Wang Jun, almost all the coproductions in process currently use the global revenue sharing model (Wang 2014).

3.2 Why Coproduce?

International coproduction agreements or treaties signed by governments seek to achieve cultural, economic and diplomatic goals. The treaties or agreements allow coproducers to develop and produce a film jointly, enable access to support and benefits in both countries, as films are treated as domestic productions in both countries, and provide a way to pool creative, financial and technical resources from the cooperating countries. To qualify as an international coproduction, the film must meet the criteria set out in one or more of the various treaties and/or approval systems in participating countries. The Standing Committee on Canadian Heritage (2003 cited in Baltruschat 2010:24) indicates that coproductions are of ‘considerable cultural significance, particularly in the areas of cooperation and coordination’. It should be noted, however, that some coproduction treaties that Canada has signed were actually part of an economic strategy to improve trade relations and serve only for economic or diplomatic needs rather than cultural purposes.

Canada is very active in the international coproduction area and has 57 coproduction treaties with 53 countries. However, many of these treaties have never been activated. The initial impetus for treaty negotiations, according to Baltruschat (2010), is to enhance and strengthen Canada’s film industry through creating employment and exposure to more experienced partners and through pooling resources from other countries. This strategy aims to increase feature film production and offset US domination of the Canadian film industry (Baltruschat 2010: 24–27). France is the second most active country, currently with more than 40 treaties worldwide. The US does not sign agreements or treaties, partly because of its dominant status in the film industry but also because the US has resisted the efforts of other countries to acknowledge the cultural significance of film in coproduction treaties. The US has tended to view such treaties as compromising the multinational free trade agenda that the US has pursued through international organisations such as the World Trade Organisation. Based on this, we can see how Hollywood’s activity in China is an exception to its usual international strategy, while the Chinese government are using the rules to deploy soft power when dealing with US. This is discussed in detail in Chapter Six.

Despite US opposition, coproductions were exempted from the General Agreement on Trade and Services (GATS, signed in 1994) in order to benefit the signatory countries. Dymond and Hart (2001 cited in Baltruschat 2010:24–25) note that the main reason was to prevent US access to the advantages of coproduction because the US does not sign any treaties or

agreements with other countries. Nevertheless, Acheson and Maule observed as early as 1994 that many benefits of treaty coproduction extended to projects with non-treaty partners (Acheson and Maule 1994 cited in Baltruschat 2010:25). US producers can team up with a treaty country producer in order to benefit from specific sources of funding for films to be produced in the country of the counterpart treaty (Cones 2008: 244–255)

International coproduction was very common in Europe between the 1950s and the 1970s, especially between Italian, Spanish and French production companies. France and Italy signed the first European agreement in 1949. 711 films were coproduced between the two nations between 1949 and 1964 (Bergfelder 2005: 55). Coproduction was enshrined in post-1960 Europe as a method of film financing and production. During the 1980s and 1990s, coproductions were particularly dominant across Europe, and are still a vital means of gaining additional finance and distribution support beyond the national system (Finney 2010:75). The EU nations exerted collaborative efforts to create a pan-European industry to combat Hollywood's proliferation and its continuing domination, although the resulting films were often described as 'Euro-puddings' for their lack of a distinctive (national) cultural flavour (Finney 1996, Liz 2014).

In the 1980s and 1990s, international film coproduction became more common due to increased competition for content, principally among new television services, as it provided a way to generate more financial backing for film and TV shows (Selznick 2005:158-162). Benjamin J. Bates (1998: 237) believes that competition drives video producers to attract larger audiences, which tends to push production costs higher. The desire to amortise high production costs in additional markets has led to a greater interest in international coproductions and the creation of narratives with international values and interest. In the beginning stage, international coproduction was used by European and smaller US producers to compete with the dominance of the US; currently, even large media companies in the US are joining international coproductions to benefit from shared finance and creativity (Selznick: 2005: 158–162).

Marcus Breen (2005: 77) also points out that financial considerations drive globalisation imperatives for coproduction film, and the financial differentials, including public policy and private contracts, 'work to generate a special set of conditions that have been characterized as the New International Division of Cultural Labour (NICL)'. According to Miller et al (2005:127), 'production is the most important site of all for Hollywood's use of the NICL'.

The concept is used by Miller and his colleagues to argue that big Hollywood corporations are engineering a new international distribution of labour force and production activity to outsource work globally, reduce costs and to attract talent from other countries to work for them (Miller 2005:126-140). Greg Elmer and Mike Gasher (2005) refer to 'runaway production' to describe the phenomenon of Hollywood shooting most of its film in other countries to take advantage of cost savings and tax concessions. NICL describes the situation of runaway production, or low-cost production, which in China falls into the categories of assisted production or entrusted production. The main goals of international coproduction are to create economic advantages and to share economic risk, and also to gain preferential access to international markets. As a result, the content tends to focus on stories with transnational appeal rather than stories that are specific to a particular culture. Baltruschat's study based on Canada's treaty coproduction activity revealed that 'the signing of coproduction treaties with countries worldwide without fostering diverse filmmakers and producers within local contexts is indicative of the lack of commitment to production sectors that are representative of the cultural fabric of today's societies'. She further points out that the future of treaty coproduction is likely to exemplify cultural production. Due to the economic imperatives and pressures from international partners to create programming for global markets, more flexible measures apply (Baltruschat 2010:22-49).

International coproductions possess both advantages and disadvantages. The classical account from Hoskins, McFadyen and Finn (1997:104) is still highly relevant for identifying costs and benefits. The benefits include the ability to pool financial resources as well as a range of access advantages; access to the partner government's incentives and subsidies; access to the partner's market or to a third market; access to a particular project initiated by the partner; access to a desired foreign location with or without a coproduction official treaty; access to cheaper inputs in the partner's country, usually through a service agreement. There are industry development benefits; for instance, the opportunity to learn from the partner if the partner has superior knowledge in program development or marketing, the production process or general management. In addition, cultural goals were included by Hoskins, McFadyen and Finn (1997:104) as one of the benefits, as 'television programs and feature films are cultural goods, and their products may well have non-pecuniary goals'. Writing about television drama, Dong-Hoo Lee (2007:194) summarises these advantages as supporting an internationalising strategy, a cost-effective strategy, access opportunities and mutual learning effects.

Usually, financial pooling and improved access to the partner's market are important advantages. However, 'Different benefits may accrue to the various partners, since the rationale for the coproduction may be a pooling of complementary resources with each partner contributing a comparative advantage in a particular area' (Hoskins, McFadyen and Finn (1997:103). Michael Curtin (2007: 283) believes that joint ventures and coproductions with China help to break out of the constraints of government censorship and a lack of investment capital, thus contributing to a better film or television work. Ting Wang (in Miller et al 2005:184) observes that foreign film coproduction in China can 'introduce the world's advanced filmmaking technology and management expertise' to China, 'boost the image of local films and film artists in the NICL' and 'stimulate the domestic film market'. The advantages of coproduction with China and the benefits that drive China to look for coproductions will be further examined in the following chapters.

The disadvantages of international coproduction identified by Hoskins, McFadyen and Finn (1997:104–112) are increased costs, including negotiation costs, coordination and shooting costs and related administrative costs in both countries, as well as loss of control and cultural specificity. Finney (2010:75) also notes, based on European coproduction research, the difficulty of upholding 'the tenets of cultural specificity, national identity and creative integrity' given a project's financing demands and the different needs of the various partners. This issue will be further discussed in the US and Australia case studies. An increased cost in dealing with government is another disadvantage, especially in treaty coproductions. Extra costs for government fees and a heavy paperwork burden are imposed on the producers when they seek to comply with the treaty requirements. This situation will be detailed in the Sino-Australia treaty coproduction case study below. Opportunistic behaviour by foreign partners also can raise concerns. There are possibilities that the partner might "cheat", such as in under-allocating resources or providing the wrong information about cost sharing or revenue splitting. The chance of cheating on a deal is higher in non-treaty coproduction. Creating a more formidable competitor is a potential disadvantage. There is a great chance that the partner today could be a formidable competitor tomorrow by mutual learning during the process of coproduction. This may well be an accurate description of precisely the ultimate soft power strategy behind China's enthusiastic embrace of film coproductions. Usually, as Hoskins, McFadyen and Finn (1997) note, the cost of coordination, loss of control and cultural specificity tend to be major problems.

John W. Cones (2008: 254-255) outlines the disadvantages from the perspective of US producers and financiers. In addition to difficulties of finding capable and solvent partners, he notes 'genre bias'; international coproductions prefer certain genres, such as science fiction and adventure films, and are biased against comedies, as humour does not easily travel across cultures. Hoskins, McFadyen and Finn (1997) also observe that coproduction adds complexity, particularly in terms of film finance. The expertise of an international attorney is usually required. In addition, the process of making all of the essential arrangements for an international coproduction can be a nightmare, even for an ongoing production company. 'Whether a film production company's cash flow is up or down (or non-existent), foreign costs can increase as the U.S. dollar falls in relative value. Subsidy laws are also constantly changing, and the transactions take a great deal of time to close. Altogether, this combination often results in tighter budgets, fewer films, higher risks and increased frustration' (Cones 2008: 254-55). The fluctuation of currency exchange rates during the course of coproduction can be a big challenge, as it adheres to budgets set out in the beginning stage (Screen Australia 2013a: 5). This can particularly affect treaty coproductions where the period from development stage to releasing a film is relatively long, as will be discussed in Chapter Seven. The treaty criteria normally requires the contribution of finance to equal the contribution of creativity.

With the tremendous growth of the Chinese box office in the past several years, the numbers of coproductions with China are increasing because they provide privileged access to Chinese markets and bypass the restrictive quotas of the Chinese government. Keane (2012) states that cooperation, in many cases, benefits both parties; however, in film and television drama production, it is common that China is downgraded to a technical or production capacity. The foreign party plays the role of creative producer. However, with the development of the Chinese film industry, this situation may be changing. In some areas Chinese partners have more creative input than before, as will be discussed in the following section, although there are obvious problems associated with censorship. As I show in subsequent chapters, when confronted with a competent partner like the US, there are tensions about creativity and financial contribution. The following section deals with the history of film coproduction in China.

3.3 The history of film coproduction in the People's Republic of China

After the establishment of the PRC, *The Chinese Kite* (*fengzheng* 1958) was the first coproduced film between China and the Garance studio in France. It was a children's film that expressed China-France friendship through the children's friendship. The director and script writer were Wang Jiayi and Roger Pigaut. It was noteworthy that this film won awards at the first Karlovy Vary International Film Festival and the 19th Venice Film Festival (baike.com).



The Chinese Kite

The Great Leap Forward (*dayuejin*) from 1958, an economic failure launched by Mao Zedong (Ralph and Thaxton 2008), and the Cultural Revolution, a political disaster from 1966–1976, prevented China's development politically, economically and socially (Tsou 1986). In relation to film, this meant that there were no coproductions between China and any other country from 1958 until 1980. In 1978, Deng Xiaoping came to power and pursued a major reform agenda. On 7th August 1979, the China Film Coproduction Corporation (CFCC) was founded and became responsible for the management of film coproductions. The objective of the CFCC was to assist or coproduce films with overseas producers so as to enhance the strategic aims of the united front and propaganda. China Film Group Corporation (CFG), Beijing Film Studio (BFS) and seven other state-owned agencies were the first Chinese domestic producers allowed to take part in film coproduction (F. Wang 2012:11). Due to the increasing number of applications from overseas for film coproduction, the Ministry of Radio, Film, TV (MRFT)⁸ occasionally approved extra quotas to satisfy the expanding demand.

⁸ The MRFT changed its name to State Administration of Radio, Film, TV (SARFT) in the institutional reform of the State Council in 1998. The SARFT incorporated with The General Administration of Press and

Cooperation in the 1980s was mainly realised through assisted coproduction, which means that the Chinese partner would normally supply non-cash services, such as location, equipment and labour, and did not take part in the creative development or with direct investment. Fourteen coproduced films were accomplished during the early 1980s – one with Japan and the rest with Hong Kong. The salaries and benefits for the Chinese staff were significantly lower than their foreign peers, and language obstacles impaired the future deeper cooperation between the parties. In 1982, the CFCC and BFS (Beijing Film Studio) coproduced a landmark film *The Go Masters* (*yipan meiyou xiawan de qi* 1983) with the Japanese parties Daiei Studios, Miko No Taikyoku Production Committee and Tokyo Tokuma Corporation to commemorate the 10th anniversary of the diplomatic normalisation of Sino-Japanese relations (F. Wang 2012:11). It was the first full coproduction or joint production between China and Japan. According to the contract, each party covered their own production expenses and the cost of equipment, and cast and crew.

On 25 September 1985, MRFT passed a new regulation that emphasised the optimal management of project submission and review, as well as content selection of the coproduced films. On 11 December 1985, the Ministry of Culture issued another notice, which outlined and reiterated the detailed procedures of coproduction submissions. On 7 March 1986, the Ministry of Broadcasting, Film and Television (MRFT) announced a new regulation that required strict compliance. It stipulated that all coproduced films would initially have to go through the China Film Coproduction Corporation (CFCC) before being submitted to the Film Bureau for approval. It had been brought to the government's attention that the protection of copyright was an important issue and that it should be dealt with early in coproduction work. This regulation has been recognised as being a great advance in the history of film coproduction, as it effectively helped to avoid possible future international disputes (Weng 2012: 63)

From 1986 to 1990, both the number and scale of coproduced films increased; fifty-nine were produced during this period. *The Silk Road* (*dunhuang* 1988) was coproduced with Japan; *The King of Sulu and the Emperor of China* (*sulu guowang yu zhongguo huangdi* 1987) was completed with the Philippines; Singapore contributed to *Rickshaw Boy* (*luotuo xiangzi* 1986); Canada played a part in the *Stamp Traveller* (*youpiao lvxing ji* 1988) and *Norman Bethune*

Publication in 2013. The name also has been changed to State Administration of Press and Publication, Radio, Film, TV (SAPPRFT). In this thesis, I will still mainly use SARFT.

(*baiqiuen daifu* 1990). *The Last Emperor* (*modai huangdi* 1987), which was coproduced with Italy, won nine Academy Awards, including Best Picture and Best Director (F. Wang 2012:11).

During these years, most coproduced films were assisted coproductions, whereby the Chinese partner assisted the foreign partners to produce films in China with their equipment, apparatus, sites, and services without investing in the production. However, Chinese partners started to participate in the creative process and obtain domestic distribution rights and revenue in a few films. For example, the war-themed film *The Silk Road* (*dunhuang*), which was coproduced with Japan, required an initial investment of \$20 million that was beyond the budget of either CFCC or August First Film Studio. After negotiation, an agreement was reached that the Japanese would bear 100 per cent of the production cost (F. Wang 2012: 12). However, the Chinese side were entitled to copyright and revenue in China. The film's location, *Dunhuang*, became a popular tourist destination as a result of the coproduction. The Sino-Canadian film *Norman Bethune* was the first that China actively participated in script creativity and writing. The original script was initially offered by the Canadians. However, it was believed by the Chinese that it didn't depict a sufficiently heroic image of the soldier of internationalism. After several rounds of negotiation, the Canadians were finally convinced, and amended the script. This coproduction indicates that since the late 1980s, China started to have some creative contribution in the film coproduction process.

As mentioned in Chapter Two, the Chinese economy in the early 1990s, as well as the film industry, had gradually shifted from a planned economy towards a market-demand economy. A series of regulations introduced then further detailed the rules for coproductions. On 5 July 1991, the Ministry of Broadcasting, Film and Television introduced a new regulation specifically for the coproduction film management: the Administration of Sino-foreign Cooperation in the film production (*guanyu zhongwai hezuo shezhi dianying de guanli guiding*), which gave a basic guide for cooperative film projects in China. After that, a series of legal documents were implemented about film management, including: Rules of the constitution of creator in domestic feature film and coproduced film (*guanyu guochan gushi pian hepai pian zhuchuang ren yuan goucheng de guiding*) and Temporary rules of management about film base (*guanyu dianying diyang pian guanli de zanxing guiding*), as well as standards of using proper language, proper English subtitles and length of films.

These documents further detail the rules for coproduction in China that have made the industry more regulated through better management (Weng 2012:64).

Chinese producers started to invest in coproduction under these arrangements. Both numbers and scale of coproductions increased. 168 films were produced between 1991 and 1995, with the annual number of coproductions increasing from fourteen in 1991 to forty-one in 1995. Apart from the majority that were coproduced with Hong Kong, *Mandala* (*mantuoluo* 1991), *Yang Guifei* (1992) and *Ju Dou* (1992) were coproduced with Japan; *The Tragic Tale of Grassland* (*damo enchou ji* 1992) was made with Mongolia; *On the Beat* (*minjin gushi* 1995) was in partnership with the UK; *Beauty and the Sloppy* (*nuhai weilong* 1995) with the Philippines, and *Panda Jimmy* (*xiongmao jimi* 1992) with the US (Wang.F 2012:12). Some of these coproductions, as mentioned above, were well-received by audiences. Most of them were assisted coproductions.

In 1995, a new regulation, Provisions of reform of filming management about feature film (*guanyu gaige gushi pian shezhi guanli gongzuo de guiding*), was introduced. It granted provincial level film studios the rights to coproduce. This policy expanded the space for future cooperation, as more domestic organisations participated in coproducing under the policy. Tianjin Film Studio and four other studios were permitted to enter into this industry for the first time (F. Wang 2012:12). An issue raised during this period concerned conflicts between overseas demand and local quotas. A few smaller studios with some quota to coproduce, but without a project, sold their quota for US\$20k–50k each to overseas producers, mostly to Hong Kong producers. This phenomena was called *mai chang biao* in Chinese (*mai* means sell, *chang* here means the film company, *biao* means quota). Usually, Hong Kong producers who had a project but could not access the quota would buy one from the studios. When the film was produced fully by a Hong Kong producer, it would be released as a ‘coproduction’ in the mainland market. Although to some extent this alleviated the excessive demand from overseas, the short-sighted action caused mismanagement and lack of supervision during the film production stage. In 1997, with the reduction of traditional overseas market demand in Hong Kong (which will be further looked at in Chapter Five) and the increase of domestic studios and quotas, the business of selling quotas finally came to an end. In the meantime, the Provisions of reform of filming management about feature film prescribed that any organisation that invested seventy per cent or more in a production were

entitled to use the words “coproduced by” with the producer. This enabled private companies to enter the film industry.

In 1998, director Li An (Ang Lee) and producer Jiang Zhiqiang proposed the coproduction of *Crouching Tiger Hidden Dragon* (*wohu canglong* 2000) with Chinese studios. The Chinese were entitled to the domestic copyright and revenue. This film integrated creative ideas from overseas, with direct investment from various Chinese domestic organisations, as well as staff from mainland China, Hong Kong, Taiwan and Hollywood. It won more than 40 international awards and earned more than \$128m at the international box office. *Crouching Tiger Hidden Dragon* inaugurated a new era in Chinese film coproduction. This film is also the last one that CFCC directly invested in. The role of CFCC changed then. Whereas prior to 2000, the CFCC invested in coproduced films, now its role became solely administrative. After the reform, CFCC was affiliated to the China Film Group by its company constitution, and SARFT took charge of its daily operations. CFCC was then no longer an investment entity. Its main focus was the management, coordination and provision of service to coproductions (Weng 2012:64).

China became a World Trade Organization (WTO) member in 2001. This was also an important year for the Chinese film industry, in that a comprehensive reform was initiated. SARFT introduced Advices about Further Reformation of the Film Industry (*guanyu jinyibu shenhua dianying ye gaige de ruogan yijian*) to establish film groups and proposed the establishment of film companies that are limited by shares. Interim Provisions on the Access of Operational Qualifications for Movie Production Distribution and Screening (*dianying zhipian, faxing, faying jingying zige zhunru zanxing guiding*) and Administration of Sino-foreign Cooperation in Film Production (*zhongwai hezuo shezhi dianying pian guanli guiding*) were introduced and became effective from 1 December 2003. Both regulations endowed private companies with legal rights as an independent party in the coproduction. The proportion of Chinese actors required decreased from 50 per cent to 33 per cent, and the requirement for a domestic production team was reduced to 50 per cent from “dominant position”. This gave more flexibility to coproductions that required overseas creators and actors. In 2004, Advices for the Promotion of the Film Industry (*guanyu jiakuai dianying chanye fazhan de ruogan yijian*) expressly confirmed that film was an industry and that private companies were entitled to produce and distribute. On 10 November 2004, Interim Provisions on the Access of Film Company Business (*dianying qiye jingying zige zhunru*

zanxing guiding) was introduced by SARFT and State Administration of Industry and Commerce (SAIC). These provisions allowed foreign companies to produce, distribute and cast Chinese domestic films. They effectively helped to expand the sources of investment and financing, and to boost film coproduction at large. In 2003, the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was signed, and Sino-Hong Kong coproductions were automatically recognised as domestic Chinese films. With higher sensitivity to markets and flexible operations, private companies gradually shifted the power of decision making from overseas to Chinese domestic players in coproduction. State-owned organisations actively involved in coproduction are the China Film Group and Shanghai Film Group. Private companies include Shanghai Yongle Entertainment Group, Huayi Brothers & Taihe Entertainment Co. Ltd and Beijing New Pictures Co. Ltd (Wang, F 2012: 12). Two modes of operation coexist in the coproduction, namely foreign dominated and domestic dominated models. The former has the following features: the project is proposed by, and investment is borne by, and scriptwriters and directors are sourced by, the foreign party. The actors are employed from different Chinese-speaking countries / regions, to meet the demand of different markets. All content is related to China. The overseas partners are responsible for distribution in areas other than mainland China, while the Chinese party distributes within China. Revenues are distributed to each party separately. In the domestic dominated mode, projects are initiated by domestic producers. Private companies can join the state-owned agencies to coproduce as domestic producers, and investments are shared between the Chinese and overseas partners. Both the scriptwriters and directors are to be Chinese nationals, and the content mainly focuses on the social lives of Chinese people.

During 2004-2010, sixteen films were coproduced with the US, fourteen with the UK, twelve with Japan, six with South Korea, four with Germany and Singapore, three with Canada, two with the Netherlands, Malaysia and Australia, and one each with North Korea, France, Poland, Finland, Denmark and Vietnam (F. Wang 2012: 13). As noted in Chapter Two, in the international market, almost all Chinese films that have earned high revenue are coproduced. From 2004 to 2009, a number of private companies obtained experience in joining the state-owned agencies in film coproduction. In addition, due to the rapid development of the Chinese film industry and higher revenue every year, both the overseas producers and distributors have started to put more emphasis on China. As I will discuss in the ensuing chapters, more films than ever before are being proposed by overseas partners, with the Chinese mainly responsible for directing and sourcing the staff. The film content is associated

with China, which attracts domestic audiences. Most of the films are fully coproduced and counted as domestic films in China. For example, Huayi Brothers Media Corporation has fully coproduced *Dawan* (*dawan* 2001), *Warriors of Heaven and Earth* (*tiandi yingxiong* 2004), *Cell phone* (*shouji* 2003) and *Kekexili: Mountain Patrol* (*keke xili* 2004) with Columbia Pictures. After the successful trial of *The Painted Veil* (*miansha* 2006) and *The Mummy: Tomb of the Dragon Emperor* (*munaiyi 3* 2008), Hollywood has started to use more Chinese resources such as venue, script and actors to win the Chinese market, the prime example being *X-Men*, using the celebrated actress Fan Bingbing. In the meantime, the theme of films is also being partly changed, from those depicting stereotypes of the old China, to reflecting contemporary social lives (eg. *Hot Summer Days* [*quancheng relian* 2010] by the US, UK and China, F. Wang 2012: 13).

The mode of cooperation has also shifted from bilateral to multilateral. The domestic partners still consist of state-owned and private institutions, whereas the overseas bodies can comprise more than one country. For example, the officially approved coproduction *Red Cliff* (*chibi* 2009) was produced by eleven domestic institutions and four overseas partners from the US, Japan, South Korea and Taiwan. This was a landmark film as more countries than ever before joined the coproduction. *The Secret of the Magic Gourd* (*baohulu de mimi* 2007) was officially coproduced by China, US and Hong Kong, and it became a very profitable film due to its perfect integration of Chinese traditional fairy tales and modern techniques from Disney (F. Wang 2012: 13). The main reasons for going multilateral are risk aversion and market expansion. Although the majority of coproduced films are still with Hong Kong, the proportion has decreased to 60 per cent, from 80 per cent. The overseas partners are more diverse, while cooperation with the US is becoming more frequent and is likely to dominate Chinese coproduction in the future.

The share of joint productions in the overall revenue of Chinese films sold overseas increased from 58.8 per cent in 2006 to 99.9 per cent in 2010, which means that almost all Chinese films' export earnings were from coproduction. This demonstrates the status of coproduction in contributing to China's film 'going out', which will be further discussed in the following section. Joint productions are receiving more and more emphasis and encouragement from the government. In recent years, an increasing number of joint productions have been made by Chinese and foreign parties. As the CEO of Shanghai Film Group, Ren Zhonglun, observes, Sino-Foreign coproduction has already experienced three stages: the earliest stage

is assisted production, purely labour export. For example, when Spielberg came to Shanghai for *Empire of the Sun* (1987), the Chinese partner only provided location and production services. The cooperation was enhanced when Hollywood came to China for *The Mummy 3* (2008). Now, the situation has changed again. China has a more dominant role in initiating a project and inviting foreigners to co-create. Ren believes this means that Sino-Foreign film coproductions are now entering the deep cooperation stage (Ren cited in Zhou: 2011).

3.4 The status of coproduction in China

With the introduction of the regulations directly related to coproduction, such as the Sino-foreign Cooperation in Film regulations and the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA 29th June 2013), Sea-Strait Economic Cooperation Framework Agreement (ECFA 29th June 2010), joint production between the mainland and overseas producers, especially Hong Kong, increased rapidly and had a profound impact on the Chinese film industry. The period from 2002–2010 was appraised by many domestic filmmakers as ‘Gold ten years coproducing with Hong-Kong’. These gold ten years greatly contributed to the development and transition of the mainland film industry, which I will discuss in the Sino-Hong Kong coproduction chapter. From Table 3.2 below, we can see that Sino-Hong Kong coproduction plays a dominant role from the point view of coproduction volume from 2002 to 2012.

Table 3.2: 2002–2012 Country/region and percentage of coproduction

Country/Region	Production Volume	Percentage
Hong Kong	293	68.5%
Taiwan	50	11.7%
United States	37	8.6%
Japan	21	4.9%
Britain	18	4.2%
South Korea	11	2.6%
Germany	7	1.63%
Singapore	6	1.4%
Australia	5	1.2%

The ECFA (Economic Cooperation Framework Agreement) was signed between mainland China and Taiwan. It removed the quota restriction for films produced in Taiwan. In regard to joint production with foreign countries, the Interim Provisions on The Access of Operational Qualifications for Movie Production and Distribution (*dianying zhipian faxing fangying jingying zige zhunru zanxing guiding*) was issued in 2003, allowing overseas capital to create joint production companies with state-run film companies. But it required the Chinese parties to hold at least 51 per cent of the total share. The Interim Provisions on the Access of Operational Qualifications for Movie Production, Distribution and Projection, issued in 2004, further allowed overseas companies to establish joint ventures with privately owned companies in China. After these new regulations took effect, joint ventures such as Warner China Film HG Corporation and Hualong Film Digital Production were set up successively. But, on 4 August 2005, Several Opinions on Canvassing Foreign Investment into the Cultural Sector (*guanyu wenhua lingyu yinjin waizi de ruogan yijian*) defined the area of the cultural industry in which foreign capital involvement was permitted; and forbade foreign companies from content production in film and TV. This policy considerably suppressed the increase of collaborations with foreign parties.

Between 2004 and 2012, the number of Sino-US collaborations was between four to six per annum, which is far less than the number of joint productions with Hong Kong and Taiwan. As discussed in Chapter Two, China and the United States signed a MOU that further opened up the Chinese film market to American films. The loosening of policy restrictions greatly encouraged the development of Sino-US joint ventures. Oriental DreamWorks, established in August 2012, is a joint venture backed by China Media Capital (CMC), Shanghai Media Group (SMG), Shanghai Alliance Investment Limited (SAIL), and Hollywood's DreamWorks Animation SKG. It will codevelop films full of Chinese elements, such as *Kung Fu Panda 3*. Oriental DreamWorks is also the first Sino-US joint venture to be created since new regulations putting business off-limits to foreign investors in 2005 were implemented. As partly mentioned in Chapter Two, Cameron Pace Group (CPG), which specialises in providing 3D technology, services and consulting to other producers, launched a new joint venture in China with the state-owned Tianjin North Film Group, and Tianjin High-tech Holding Group in the same year. Earlier than that, News Corp acquired nearly a 19.9 per cent stake in Bona Film Group, one of China's largest film distributors, in a bid to help the US company gain a stronger foothold in China's booming film market. These deals indicate that the government has moderately changed its policy. It is predicted that Chinese films will

increasingly merge with the global film industry and the boundary between Chinese and foreign capital will gradually fade away. This will eventually lead to the further adjustment of coproduction policies in China.

SARFT has emphasised the diversity of coproductions. As mentioned before, since 2005, China has signed agreements about film coproduction with Italy, Australia, Canada, France, New Zealand, Singapore and Belgium. Agreements with Russia, India and South Korea are in the final stage of discussion. In April 2014, a treaty with the UK was signed (Zhan 2012: 42). According to the agreements, coproduction films would enjoy the same rights and benefits as domestic films. These agreements have already taken effect. For example, *11 Flowers* (*wo shiyi* 2012), directed by Wang Xiaoshuai, was produced followed the agreement with France. It was the first Sino-French coproduction since the agreement was signed. The agreements with Singapore and Italy required that the investment from China should not fall below 20 per cent of the total. But this restriction was later removed for Italy, which made coproduction easier.

According to data provided by China Film Coproduction Corporation (CFCC), 428 films were made with foreign partners between 2002 and 2012 (cited in Zhan 2012:39). Table 3.3 below shows that relevant policies and reform implemented around 2003 significantly influenced collaborative activity, with that year's volume being substantially larger than 2002. In addition, the table shows the great influence of joint productions on the market. All of the top ten domestic film box office hits in 2008 and 2009 were joint productions. In total, joint productions made up 75 per cent of films listed on the annual domestic film top ten box office from 2002 to 2012.

Table 3.3: 2002–2012 Joint production volume and numbers of domestic film box office top ten⁹

Year	Volume	Numbers in the domestic film box office Top 10	Year	Volume	Numbers in the domestic film box office Top 10
2012	40	6	2006	37	9
2011	58	5	2005	38	7
2010	42	9	2004	39	6
2009	29	10	2003	45	7
2008	46	10	2002	16	5
2007	38	9	Total	428	75%

Undoubtedly, joint productions have become dominant in the Chinese film market. In general, they only account for –10 to 20 per cent in China’s annual production volume. However, they normally create 50 to 80 per cent of the domestic film box office, as shown in Table 3.4 below.

⁹ Annual data is provided by the China Film Coproduction Company. The production volume in this table only refers to those films that were approved as joint productions by SARFT/SAPPRFT, gained a screening license, and were screened the same year.

Table 3.4: 2002–2012 Joint production volume and the proportion of domestic box office earned by joint production films¹⁰

Year	Production Volume		Joint Productions as a proportion of domestic films	Box Office Revenue (Billion)		Joint productions' box office as a proportion of domestic films' box office
	Joint Productions	Domestic Films		Coproduction Films	Domestic Films	
2012	58	653	8.9%	3.77	8.27	45.6%
2011	62	558	11.1%	2.96	7.0	42.3%
2010	51	500	10.2%	3.75	5.73	65.4%
2009	35	450	7.8%	2.61	3.51	74.4%
2008	47	406	11.6%	2.06	2.69	76.6%
2007	40	402	11.6%	0.92	1.8	51.1%
2006	40	330	10%	0.98	1.44	68.1%
2005	41	260	15.8%	0.61	1.23	50%
2004	43	212	20.3%	0.59	0.83	71.1%
2003	45	140	32.1%	0.26	0.4	65%
2002	18	100	18%	0.35	0.387	90.4%

Joint production also has become the major means for Chinese films to access international markets. As mentioned in Chapters One and Two, nearly all the export film earnings in China are from joint productions, as shown in table 3.5 below. Between 2006 and 2010, foreign sales revenue of joint productions also increased dramatically. In 2010, forty-six out of forty-seven exported films were joint productions. In 2011, although the total foreign sales revenue decreased, joint productions (50) were still dominant in the export market (52 in total). By June 2012, the number of joint productions numbered fifteen out of the twenty-one exported films (Zhan 2012:40).

¹⁰ Includes: films that gained approval to be screened in that year but had not yet been screened, as well as films that were cofinanced and coproduced by Chinese and foreign partners, but had not yet applied for coproduction status, and were screened in China.

Table 3.5: 2006-2010 Foreign sales revenue of joint productions

Year	Foreign Sales Revenue of Chinese Films (Billion RMB)	Foreign Sales Revenue of Joint Productions (Billion RMB)	Foreign Sales Revenue of Joint Productions as a Proportion of Chinese films
2010	3.517	3.516	99.97%
2009	2.759	2.677	97%
2008	2.528	2.402	95.10%
2007	2.02	1.94	96%
2006	1.91	1.124	58.80%

3.5 Coproduction Model

(1) Primarily invested and produced by mainland China. Partially invested, and partial to no creativity and production contribution made by overseas (including Hong Kong).

Examples are *Hero (ying xiong 2002)*, *House of Flying Daggers (shimian maifu2004)*, *Curse of the Golden Flower (mancheng jindai huangjin jia 2006)*, *Kekexili: Mountain Patrol (keke xili 2004)*, *Aftershock (tangshan dadi zhen 2010)*, *The Assembly (jijie hao 2007)*, *If You Are the One (feicheng wurao 2008)*, *Let The Bullets Fly (rang zidan fei 2010)*, *Painted Skin (huapi 2 2012)*, *The Last Supper (wang de shengyan 2012)*, *Back to 1942 (yijiu sier 2012)*.

(2) Primarily invested, and partial to no creativity and production contribution made by mainland China. Primarily produced by overseas. Examples are: *Flying Swords of Dragon Gate (longmen feijia 2011)*, *A Simple Life (taojie 2011)*, *A Battle of Wits (mogong 2006)*, *Perhaps Love (ruguo ai 2005)*, *The Warlords (touming zhuang 2007)*, *Bodyguards and Assassins (shiyue weicheng2009)*, *Dragon (wuxia 2011)*, *The Guillotines (xue dizi2012)*, *Ip Man 2 (yewen 2 2010)*.

(3) Primarily invested in by overseas company. Primarily created and produced by mainland China. Examples are: *Warriors of Heaven and Earth (tiandi yingxiong 2003)*, *Crazy Stone (fengkuang de shitou2006)*, *Desires of the Heart (taohua yun 2008)*, *Disney High School Musical: China (gewu qingchun2010)*

(4) Primarily invested in and created by overseas company. Partially invested and produced by mainland China. Examples are: *Love in The Buff (chunjiao yu zhiming 2012)*, *The*

Bullet Vanishes (xiaoshi de zidan 2012), *The Viral Factor* (nizhan 2012), *Rob-B-Hood* (baobei jihua 2006), *Kung Fu Hustle* (gongfu 2004), *Karate Kid* (gongfu meng2012), *The Forbidden Kingdom* (gongfu zhiwang2008), *The Mummy: Tomb of the Dragon Emperor* (munaiyi 3 2008), *The Children of Huang Shi or The Children on the Silk Road* (huangshi de haizi 2008), *Snow Flower and the Secret Fan* (xuehua mishan 2011), *Man of Tai Chi* (taiji xia 2013)

(5) Large scale hybrid production.

This model usually includes capital from mainland China, Hong Kong, Taiwan and overseas. Also the production of the film is contributed to by several parties. The formation of this model is mainly caused by a market factor. For example, the production of *Red Cliff* (chibi 2009), which cost 85 million USD, was invested in by 16 parties, from domestic and overseas. Even for some films with strong political propaganda, such as *The Founding of a Republic* (jianguo daye 2009) and *The Founding of a Party* (jiandang weiye 2011), which were primarily a result of domestic funding, the number of coproducers, including both domestic and overseas, was over 10 and 40 respectively.

Some investors have established solid and stable partnerships over many years of cooperation, have become the major contributor to joint productions. Examples are partnerships between Beijing New Pictures and Edko Film Limited, between Huayi Brothers and Media Asia Group, Universe, Emperor Motion Pictures, Columbia Pictures Film Production Asia, between BONA Film Group and Media Asia Group, Emperor Motion Pictures, Focus Films, Film Workshop, between SMI Corporation and Morgan Chen Pictures, Applause Pictures (Zhan 2012)

In Chapter Two, I discussed how the booming Chinese film market, import quota restriction and revenue sharing mechanism fostered foreign partners to hunt for more production opportunities. In this chapter, by looking at Chinese coproduction history and the status of coproduction in China, we can see that joint production is a viable way for China to promote its film industry and to develop, or from the point of film ‘going out’, the government’s soft power deployment. Cooperation is a way to learn about the market and to acquire skills. By collaboration or joint production, China’s film industry has moved away from low cost low value production to a high value chain by learning and sharing knowledge, as Keane (2013:80) points out, in China’s cultural innovation timeline model.

Chapter 4 Coproducing with China

This chapter examines the structure, systems and incentives developed in China to enact and facilitate coproductions. I begin by showing why coproductions are favoured as a means of industry development. In the next section I describe how they are approved, and examine the roles and powers of the various official bodies. The chapter concludes by balancing the advantages of coproduction with the challenges for Chinese and foreign parties, and for the Chinese government. In particular, I discuss film censorship policy in China and the challenges it sets for coproduction. In this section I return to the themes of cultural proximity and soft power competition that frame my thesis.

As mentioned in the previous chapter, international coproduction is the preferred form of collaboration in film, TV and animation industries for both the Chinese government and Chinese filmmakers because it offers the chance for China to learn how to break out of its domestic market. Knowledge transfer and market success go hand in hand, but they are by no means guaranteed. The cultural and strategic goals of the Chinese government and the privileged access to the Chinese market that coproductions provide to foreign parties are the two sides of the coproduction coin. But the different interests and objectives that are at stake bring with them the high likelihood of compromises, cultural misunderstandings and failure. The desire for producers to gain larger audiences fuelled the growth of coproductions in the region from the early 2000s (Chua 2012). The general manager of Warner Village had an optimistic outlook for Chinese film industry development. He said that ‘the future is bright for coproductions that tap global financing and creative resources from Asia’ (interviewed by Michael Curtin: 2007). Others have made similar comments in recent years. Mike Walsh, a film scholar says, ‘International coproduction is a theme on everybody’s lips when they talk of Chinese cinema’ (Walsh 2012: 310).

Thanks to the Chinese government’s desire to compete in regional ‘soft power competition’ (Chua 2012), policies for coproductions and media industry joint ventures have become more flexible. Big players from all over the world, such as Hong Kong’s Media Asia and Edko Film, News Corp, Warner Bros and Columbia-Asia, all have joint ventures in mainland China (Chua 2012, Yeh 2010). This list keeps growing, with the involvement of major Japanese and South Korean screen players. According to Yeh (2010: 198) ‘pan-Asian cinema is now fulfilled via partnerships with state-sanctioned Chinese companies’. This has been made

possible because of the apparent alignment of the Chinese government's desire to advance Chinese cultural soft power and the desire of foreign parties to gain greater access to the Chinese market. The door to China is opening wider for foreign media, but success is still not guaranteed.

4.1 The incentives for Chinese involvement in coproduction

For Chinese filmmakers, gaining access to the partner's market is an important incentive, especially in Sino-US coventures. The US is the biggest market in the world and China not only wants to gain market access but also benefit from the US's global distribution system. However, nowadays, financial pooling, which Hoskins, McFadyen and Finn (1997) argue is one of the most important advantages of coproduction, is no longer the dominant attraction for Chinese partners. As the Chief Representative of the China Office for the Motion Picture Association (MPA) William Feng stated at the APSA MPA Film Financing Forum in Brisbane in December 2013:

If you talked about cofinancing movies five years ago in China, people would come to you and say 'we need money, we need investors'. But if you talk to the real players in China these days, the story will be 'we don't need money, we need good projects'; the need for money always goes after the need for good project and the transfer of skills and expertise (Feng 2013).

Feng said that some producers go to the US to obtain funding because they can not find local partners. But Feng clearly indicated that this is the wrong approach now. Feng said that if a project could not find Chinese partners or investors, he doubted its ability to succeed at the box office. The CEO of Huayi Brothers, Wang Zhongjun, agrees, commenting at a Sino-Europe film coproduction forum that the Chinese film industry does not lack money. He says, 'If it is a good story, money will be there in a minute'. The issue, Wang said, is rather the 'desperate need for talent' (Wang: 2011).

In addition, learning from partners is a very important motivation for Chinese companies to look for production opportunities. Chinese companies anticipate learning from Hollywood and other filmmakers about creativity and what makes a good screen story, as well as film production, marketing and general management skills and financial and legal best practices. One of the advantages of coproduction – cultural goals – is taken seriously by the Chinese government and Chinese companies. As I outlined in Chapter One, coproduction is a strategy

employed by the Chinese government to promote Chinese culture going out, to increase China's cultural presence globally and, eventually, to enhance China's soft power and build a better national image.

Foreign parties' production of film and television dramas is encouraged by the Chinese government, but all foreign entities must seek an approved Chinese partner. The importance of finding a good local partner was emphasised by William Feng in the Film Financing Forum on December, 2013:

Mostly, those coproductions that can have certain degree of success in the Chinese market are those movies targeting Chinese audiences. In that regard, it is very important for those either cofinancing or coproducing a movie to look for partners in China. People tell you that you can come to China, get into the market and then you will be the expert in that market, which I don't think is the case. If you want to really succeed in the market, then really look at the Chinese market as a source of returning your investment of your project. You need to find good partners... [P]artners can really help you to navigate through the market, and go through Chinese government censorship; [they can] help you with marketing and distribution. Most of the successful coproduction movies are those made between China and Hong Kong. The reason is because Hong Kong filmmakers were in China early and are very close with the mainland producers and the market. (Feng 2013)

As Feng points out, a foreign filmmaker entering the Chinese market must rely on their Chinese partner's local knowledge in order to successfully navigate the complicated procedures from applying for joint production status to gaining final approval and, ultimately, screening in Chinese cinemas. Finding a good partner and developing relationships (*guanxi*) in China are very important. It takes lots of effort, time and money to develop *guanxi*. Although in this digital age, internet meeting is very convenient, face-to-face meeting is still the most effective way to build trust and relationships, particularly in China. Because of this, most joint productions today are based on functional networks built in the past, as I will illustrate in the case study chapters (Chapters Five, Six and Seven).

There are currently twenty state-owned film studios designated as qualified film production entities with permanent Film Production Permits. Private entities have been tightly regulated

in this area. In June 2003, the SARFT gave two private film producers Coproduction Permits and allowed them to directly participate in Chinese-foreign film production, namely the Beijing New Picture Film Co. and Beijing Huayi Brothers & Taihe Film Investment Co. Ltd. If other private film production companies in China wish to coproduce, they have to apply for a temporary Film Production Permit (single film) from the SARFT and then obtain a Sino-Foreign Cooperative Film Production Permit. All activities are overseen by the CFCC and must be approved by the SARFT. The production contract is signed by the parties and the CFCC (Chang, Wan and Qu 2003:158-161). On paper, any Chinese company with a film production licence has the right to take part in production with foreign companies. In reality, except for those state-owned and large private film companies, due diligence is required for foreigners to decide whether their partner is qualified.

4.2 Regulating coproductions in China

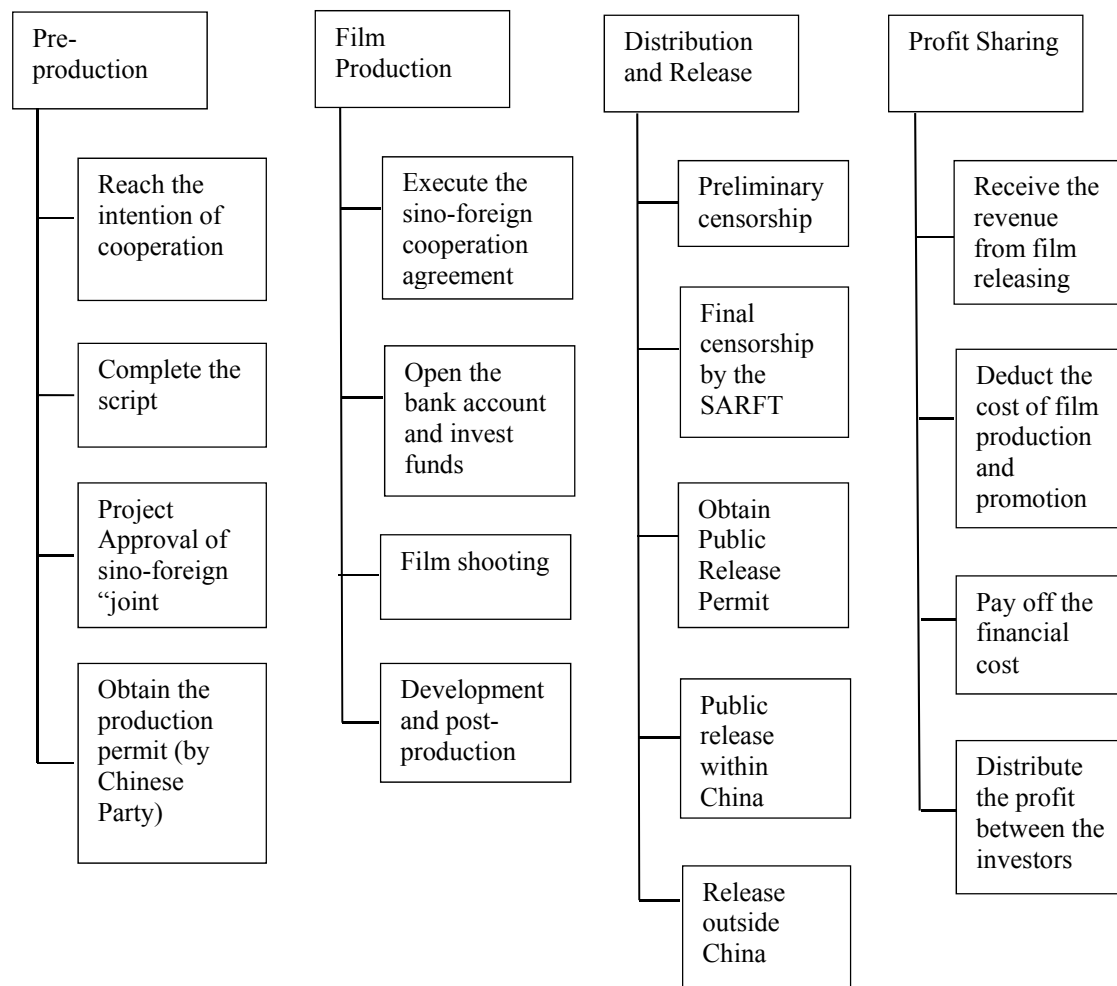
In China, the authorities directly responsible for regulating international collaborations are the State Administration of Radio Film and Television (SARFT) and the China Film Coproduction Corporation (CFCC). SARFT, incorporated within The General Administration of Press and Publication in 2013, now called State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). SARFT, under the guidance of the Department of Publicity (DoP) of the CCP (Chinese Communist Party), is mainly responsible for film production, distribution and export, and also for implementing policies formulated by the CCP. The CFCC is authorised by SARFT and is responsible for the administration of Sino-foreign cooperative films and for providing coordination and other services. (Chang, Wan and Qu 2003:157). Despite all the changes, the institutional nature and its purpose have not altered.

In the whole process, the CFCC will intervene twice, approving the script before production and making sure that the finished film has adhered to the script. As Walsh (2012: 306) points out: ‘this can cause a lack of certainty among film-makers as their realization of the script may draw in problematic elements’. CFCC mainly reviews the script (Chinese translation), the financial status of the foreign coproducer and the basic structure of the project (the ratio of personnel crew and the ratio of investment and the location for production work) (Alderson 2011a). The script is also reviewed by CFCC and SARFT for compliance with China’s complex censorship rules. In most cases, changes to the shooting script are required before pre-production. SARFT has the right of final approval and final cut. If the filmmakers

refuse to make any required changes in the final stage, it cannot be released and distributed either in China or anywhere else in the world (Andreacchio 2013:13). Understanding and adhering to what has been approved previously is very important. If the final work does not adhere to what has been approved, films cannot be counted and screened as domestic releases in China.

Given the complexity of the whole process, well-connected and experienced local Chinese partners are essential. There may be millions of dollars revenue difference between an approved joint production and an imported quota film, or, at worst, a film may be denied distribution in China entirely. Figure 4.1 below shows the whole cooperation process.

Figure 4.1: Sino-Foreign film coproduction process



Source: Hylandslaw (2014: 5)

4.3 Why coproduce in China?

The introduction of positive policies for film coproduction in recent years has seen an increase in this mode of production. The most important rationale for foreign parties to coproduce with China is financial. As Jon Landau, a producer of *Avatar*, said, ‘we need a financial reason to come. We don’t need pandas or the Great Wall’. For him, it was clear that the attraction of China was financial rather than cultural (Shackleton 2012 cited in Walsh 2012). Privileged access to the huge Chinese market is the basic motivation for foreigners. Joint productions bypass the import quota and earn the foreign party a greater revenue sharing percentage.

The other notable reason to coproduce with China is that, besides the import quota, there are many market access barriers set by Chinese regulators. For Hollywood (whose films dominate the import quota), though the booming Chinese market offers an ‘extraordinarily attractive and lucrative opportunity’, it also possesses ‘numerous cultural and political challenges that are far more exacting than other territories, making it perhaps the most demanding marketing environment that Hollywood has ever faced’ (Curtin, Jacks and Li forthcoming).

The government film import system and distribution monopoly discussed in Chapter Two is the first hurdle. About 200 films are produced by the major Hollywood studios annually, but only a small number of them can access the Chinese market. CFG controls the release dates and length of theatrical runs of foreign films, which can impede the ability of the US producer to exploit the full value of the film (MPAA 2012:18). The Chinese government requires that more than two-thirds of the total annual screen time in China should be reserved for domestic films, and at least 50 per cent of total box office revenue should be earned by domestic films. CFG runs an opaque process of overseeing release dates for all foreign films, controlling their theatrical runs to maintain the required balance between domestic and foreign films. During peak seasons, blackout periods, or Domestic Film Protection Month (*guochan dianying baohu yue*) are imposed to advantage domestic films. In these periods, no foreign films can be screened. The timing of these periods is not fixed, lasting from several weeks to several months, normally in the most profitable summer months. Although officials have never admitted that such a measure exists, no revenue sharing films have been released in mainland cinema during the protection month. An MPAA report (2012:18) indicated that ‘the Chinese government has historically decreed “black-out periods” during which no new

revenue-sharing foreign films may be released, to prevent competition against Chinese films released during the same period’.

In 2012, the domestic film box office in the first half of the year only accounted for 35 per cent of gross revenue (Cremin 2012) due to the increase in the import quota following the signing of the Sino-US MOU. A long late summer blackout period was imposed in that year to balance the box office and to achieve the unwritten government goal of 50 per cent; this left very limited time for releasing all the remaining import quota films after the blackout period (Curtin, Jacks and Li forthcoming). In 2012, two Hollywood blockbusters, *The Amazing Spider-Man* (*chaofan zhizhu xia* 2012) and *The Dark Knight Rises* (*bianfu xia heian qishi jueqi* 2012), were released in China on the same day, August 27th (M, Li: 2012). In June 2013, the releases of *Jurassic Park 3D* (*zhuluoji gongyuan* 2013) and *Fast and Furious 6* (*sudu yu jiqing 6* 2013) were postponed to make way for the homemade blockbuster *Switch* (*tianji fuchun shan jutu* 2013). The release of the popular American 3D animation movie was suddenly interrupted due to contractual reasons, while domestic animations *Kuiba* (2013) and *The Adventures of Sinbad* (*xinbada lixianji* 2013) began their theatrical release. These developments further increase the attractiveness of joint productions for foreign parties. Since joint productions are treated as domestic films, they can be screened during Domestic Film Protection Month and will not be removed from cinemas like Hollywood blockbusters were.

Joint productions can also benefit from the range of mechanisms used by Chinese authorities to support domestic films. The Chinese government has funded dozens of film corporations, such as the national China Film Group, the provincial Shanghai Film Group, and Beijing Film Group. The National Film Development Funds (NFDF) or China Film Special Funds were set up in 1991 to support film industry development by collecting five per cent from every film’s theatrical gross income as special funds for supporting local film production and theatre construction (Cain 2012b). In the first eight years of the fund’s establishment, the NFDF (National Film Development Funds) financed 202 films directly.

As briefly mentioned in Chapter Two, NFDF has introduced several notices to encourage theatres to screen domestic films. The more domestic films’ box office revenues constitute of the total annual gross of a theatre chain, the more money will be reimbursed by the fund committee to the theatre.

Table 4.1: NFDF policy

The domestic films' box office revenues /the total annual gross of a theatre chain	Money reimbursed by the fund committee
$\geq 50\%$	100%
45%-50%	80%
<45% (if domestic films revenue more than last year's)	50%

Table 4.2: NFDF policy

Domestic Film Box office Gross (million)		Reward(million)
IMAX	25-100	1
3D	50-100	
IMAX or 3D	100-300	2
	300-500	5
	>500	10

In terms of tax incentives, foreign producers are required to pay twenty per cent income tax of revenue gained from the Chinese market. For joint productions, the Chinese Tax Authority will cover ten per cent of the total income tax so that they pay only ten per cent. In addition, joint productions are free from custom duties. Also, joint productions are allowed to compete for the Chinese Movie Award (*huabiao jiang*), which is the only government award in China and which has a cash prize of nearly 1million RMB. In 2009, SARFT implemented measures for rewarding domestic films that are exported. A joint production counted as a domestic film can also receive a proportion of that reward based on its overseas revenue. And, as discussed in Chapter Three, China has also signed many treaties or agreements with other countries that provide privileged access to the Chinese market.

4.4 Balancing the challenges of coproduction in China

The challenges of coproducing in China take two forms. First there are challenges raised by the process of production itself, such as ensuring suitable content and obtaining Chinese finance. Second, there are issues arising from the particularities of the Chinese film industry, such as lack of completion guarantors and collection agents and government censorship.

Content

One of the concerns about international joint ventures is that they end up being made to appease each party (Hoskins McFadyen and Fin 1997:100). How have filmmakers and, in particular, producers learned to avoid the traps of ‘Euro-puddings’ (Finney 2010: 75)? This is the question that Chinese and foreign parties need to consider. Some collaborations are East-West puddings, trying to appease audiences from different markets but actually appealing to neither. Failure can be seen everywhere. *Shanghai (diehai fengyun* 2010), an American mystery or thriller film directed by Mikael Håfström, starring John Cusack, Gong Li and Chow Yun-Fat, flopped in both China and the US despite featuring major stars popular in both markets. Up to the present day, there are few films that have been successful in both Western and Chinese markets. The film *Crouching Tiger, Hidden Dragon (wohu canglong* 2002) was the highest-grossing foreign-language film ever in the US; however, it was not well received in China, being perceived as a cultural chop suey catering to Western audiences (Miller 2005:322). Rosen (2010:52) points out that ‘films such as *Crouching Tiger* were not seen as authentically Chinese by local audiences – it is striking that China, Japan, and Hong Kong accounted for only three per cent of *Crouching Tiger*’s global sale’.

As discussed in Chapter Two, a local, authentic Chinese story is usually not widely accessible for international audiences. There are three kinds of audiences for Chinese films: first, the domestic audience, which understands themes and references naturally; second, the diasporic or overseas Chinese audiences, who are geographically distant but may still be emotionally attached to the content; and third, Western audiences, who may not have the cultural understanding to appreciate Chinese content, especially local comedy like Feng Xiaogang’s films or Chinese historic epics.

As William Feng (2013) observed at the APSA MPA Film Financing Forum in Brisbane, there are two types of Chinese-foreign joint ventures: one that takes the Chinese market as its primary market; and another that looks to both the Chinese and international markets. ‘So far,’ Feng said, ‘we have seen very little success in the second type.’ Most Sino-Hong Kong films have been successful in the Chinese market, not only because of cultural proximity and earlier access to the Chinese market, but also because Hong Kong producers target the mainland market and try to produce local films that meet local tastes. For Sino-US and Sino-Australia coproduction, it is easier to go to the latter type and mix the cultural ingredients together to appeal to audiences from both sides. It is not merely because of the desire of the

producer to earn more money, but also because of the criteria of China's official coproduction or treaty conditions. At the Shanghai International Film Festival in 2011 the director, He Ping, and the CEO of DMG Entertainment Group, Dan Mintz, suggested doing away with the concept of coproduction and letting filmmakers have more freedom to create (Zhou 2011). In the following case study chapters, especially in Sino-US and Sino-Australia coproduction, we will see how Chinese rules and, in the Sino-Australia case, treaty rules from both sides, constrained creativity and generated challenges for filmmakers. However, the rules represent the will of the government. When the Chinese government seeks to project soft power through film, it is highly unlikely to allow full freedom to filmmakers to pursue their own interests.

The theories of cultural proximity and cultural discount can be used to further explain this phenomenon. Cultural proximity, as mentioned in Chapter Two, is a term used by Joseph Straubhaar (1991) to argue that audiences generally prefer films, TV and content that are culturally familiar. Therefore, local producers enjoy more competitive advantages through 'having a greater degree of cultural proximity to their audiences than the producers of "global" media content have in such local and regional markets' (Straubhaar 1991 in Flew 2007:126). Tracey (1985), in his critique of US products dominating global television, argues that local audiences generally prefer local content. This can probably explain why Chinese films can still survive in fierce competition with Hollywood imports and why Sino-Hong Kong joint productions have had a long history of success. As CEO of Le Vision Picture Zhang Zhao has remarked, 'there are two kind of content that Hollywood can't compete with. One is local comedy; the other is the "social hot topic" unique to China' (Zhang 2012). Film scholar Zhu Ying (2010: 206) puts this more formally:

The consensus was that the national/regional film industry was able to maintain its market only by concentrating on the production of films with unique national/regional characteristics, including certain genres traditionally associated with it. As such, only films of Chinese characteristics/identity, which Hollywood would not be capable of making, could compete with Hollywood for a domestic market share. The issue of Chinese cultural identity was revisited, albeit from an economic perspective. What counted as Chinese cultural identity remained vague; but traces of Chinese tradition, Chinese ways

of thinking, and/or Chinese aesthetics were suggested to be essential in determining such an identity.

Cultural discount, which I mentioned in Chapter Two also, refers to the problems of translating movies and audio-visual works when they cross borders. Some elements that make sense to one audience do not make sense to another. This is why *Lost in Thailand* can make a box office splash (RMB1.2 billion) in China but achieve only \$60,000 in the US market. The same example is *The Hangover*. Although it is popular with Western audiences, it has unfamiliar cultural elements for the Chinese market. Hence, blockbusters from Hollywood and films aimed at global markets tend to choose content with more general value.

International coproductions, especially official coproductions, unavoidably involve compromises in order to coordinate the ratio of creative and financial input for both parties and to navigate the complex system of regulation. It is already difficult to uphold cultural specificity, national identity and creative integrity when compromises may have to be made to assure joint financing. The situation becomes more complex when the screenplay confronts China's strict content censorship processes and simultaneously tries to cater to the different tastes of Western and Eastern viewers.

Finance and underdeveloped industry mechanism

'There are two compelling economic drivers that related directly to coproduction: the hard costs of making and delivering a film; and the issues of recoupment of all costs' (Finney 2010:75). There are many ways to raise a budget for film production in China and these have been discussed in Chapter Two.

China does not lack ways to raise finance. As the Chief Representative of the China Office for the Motion Picture Association (MPA), William Feng, states above, real players in China do not lack money to pursue film projects, what they need is good projects. The challenge for foreigners is that they cannot access financial resources in China directly, only through its Chinese partner. As the producer and president of the Film and Television Academy at Shanghai Theatre Academy, Sherwood Hu (Hu Xuehua), says of his own experience about raising money in APSA MPA Film Financing Forum in Brisbane in 2013:

the script including the whole package of the project is the most important thing for financing in China. Good script and package will be very appealing to

investors. The second thing is ‘communication’. Communicating with investors and establishing a good relationship always plays a crucial role in negotiating a successful business in China. If you would like to make a film and get money from people in China, the first thing to do is eating and drinking together. If you could drink, the possibility of getting money increased. The third thing is to understand China’s censorship system and know how to make your film work in China (Hu 2013).

Finally, even when the film appears in China, it is still not a time for celebration. Collecting and exporting revenue remains problematic for several reasons. There are no trusted intermediaries for film in China, such as collection agents, escrow account holders or trustees. The foundations of international film finance are not well-developed. Completion guarantors are a relatively new concept in China. This situation means that foreign parties have to rely on Chinese parties to collect revenue; however, the trust problem persists. In addition, tax complexity is a serious issue. Even in developed countries, taxation of international film is difficult. In China, this problem has been magnified because of a new tax code, a non-convertible currency and SAFE (State Administration of Foreign Exchange) involvement. The foreign party has to rely on their Chinese partner to pay them after income tax has been paid on gross receipts to Chinese tax authorities.

CFCC is responsible for dealing with approvals in the production process, content and censorship, but is not involved in any taxation and distribution issues. The participation of completion guarantors, distributors, sub-distributors and collection agents in projects is not prohibited, but ignored. A bank account is opened and controlled by both parties jointly. In essence, ‘the coproduction partnership is its own collection agent manager’, Mathew Alderson (2011b) observes that it is better for foreign producers to let Chinese coproducers take Chinese distribution rights ‘in return for an up-front payment because the back-end of the receipts is usually just a mirage’. However, alongside the tremendous growth of the Chinese market, more and more productions are specifically targeting the Chinese market in order for foreign producers to earn a greater share of revenue from the Chinese market.

China’s film censorship policy

Although the commercialization of Chinese film and media industries is happening rapidly, ‘power relations between the political, social and economic spheres’ are changing much more

slowly (Hemelryk and Keane 2002:3). As discussed in Chapter One, the ideological control of cinema in China is still most obvious in strict film policies and censorship. Censorship presents challenges not only to foreign coproducers, but to all filmmakers working in China. The key point of working in China film industry is the need to work inside a system that expects those industry people especially filmmakers to work and create not only in accordance to the market needs, but also in accordance to the state's need to retain ideological and political control.

According to Xiao (2014:110-119) and Pang (2011:209), film censorship has a long history in China dating back to the late Qing period (the early 1900s). The first film regulations introduced by the CCP were the 'Five Temporary Methods of Administering the Film Industry from the Ministry of Culture' in 1950 (Pang 2011:212). Heavy political pressure was placed on the film sector during the Maoist era. Deng Xiaoping's reforms brought change, and saw the adoption of a new discourse of media industry policy binding media to the economy. The transformation of film from solely a propaganda tool to a form of entertainment has been facilitated by the government. However, political concerns still exist, as Pang (2011:216) points out:

The state continues to exercise a direct centralized control on film, preventing any seeds of political destabilization from sprouting while maintaining a puritanical culture that minimizes the depiction of such 'debauched' cultural phenomena as pornography, violence and corruption.

As discussed above, the major censorship of film happens twice: first during the preshooting review, and second before approval is granted by the major censorship body SARFT for films to be screened. But many other administrative units, such as the Ministry of State Security, the Ministry of Public Security, the Central Propaganda Department (the Ministry of Central Publicity), the Ministry of Information Industry as well as the General Administration of Customs, can also intervene, especially when films deal with topics including state security, military, diplomacy, ethnicity, religion, legislature or historical celebrity (Pang 2011:216-217).

The censorship policy can make film production in China full of uncertainty. The uncertainty not only come from the intervention of authorities as discussed above, but also from the vague criteria. There is no consistent standard; content that is approved in one work may be

censored in others. Further, even if a film is granted a screening licence, it is not guaranteed to reach Chinese cinemas, as the Rules (1997) state that ‘in special circumstances, the Ministry of Radio, Film and Television may make a decision to cease the screening of, or to cut, films that have already been issued the Film Public Screening Permit’. Most of the time, this is because scenes in the film or the name of the film have been changed without resubmitting for censorship after the screen permit has been granted. For example, the *Silver Ornaments* (*yinshi* 2005) was banned after its theatrical opening due to the accidental screening of an uncut version containing nudity. The vagueness and uncertainty of China’s censorship regulations still creates considerable risk for coproductions. In a country where the completion guarantor system is not fully established, these kinds of risks bring more concern for foreign producers looking to work in China.

Several types of film genre including horror and ghost film, sci-fi film, are subject to much stricter review than others. These genres were suppressed during Mao’s Cultural Revolution and afterward. As Pang (2011:208) observes, although Chinese people love ghost stories, the state just not allowed ghost films to be made because ‘anti-superstition is still a prominent film policy’. He argues that an anti-superstition film policy is ‘idiosyncratically Chinese...In contrast to discourses on violence and pornography, where a direct connection to society is often assumed, these genres do not provoke the same moral panic or recourse to censorship...The idea of ‘media effect’ is not applied to ghost films’ (2011:208). However, ghost films and some sci-fi films are regarded as superstition in China. The code of ghost or sci-fi figure or content, as viewed by the state, can be highly allegorical, and thus harder to control. These genres ‘precipitate a variety of conflicting discourses in CCP governance’ (Pang 2011: 208). For coproducers aiming to attract a global audience, sci-fi, as well as horror films, are two of the most important types of genre in terms of films’ international tradability. But Chinese film censorship policy narrows down the choice of genre type for coproduction. At least when it comes to these two genres, more caution should be expected by filmmakers. But despite such strict media censorship, some filmmakers will continue to push the limits of approved practice.

In Chapter Three, I examined the various types of coproduction as a viable way forward and as a way to upgrade the industry value chain through knowledge and skills transfer. This chapter further shows that for Chinese filmmakers the main attraction is learning how to compete and produce outside China. For non-Chinese, it is access to the Chinese market that

is the principal motivation. Then there are the Chinese government's cultural goals, such as increasing international and domestic soft power. This is the rationale for government assistance, but it is a sword that cuts both ways; it allows foreigners access to China while assisting Chinese to 'go out'. In this trade off there are compromises, cultural misunderstandings and many failures, and these will be discussed in the case studies in the following three chapters.

Chapter 5 China-Hong Kong Coproduction

Media scholar Chua Beng-Huat (2012) argues that joint production between mainland China and Hong Kong is a win-win situation for both parties. For Hong Kong, it releases the financial resource pressure, especially in the production of blockbusters. For China, it introduces creativity and vitality into its production of pop culture, which 'had hitherto been laden with staid and unrealistic themes of socialist selflessness in the interest of the masses and the nation' (Chua 2012:139). But this win-win situation is fraught and complex. I argue in this chapter that Sino-Hong Kong joint production contributes to the development of Hong Kong film industry while accelerating the demise of the cultural identity of Hong Kong film. This argument is evaluated from the perspective of Chinese film industry and the perspective of large Hong Kong film companies. However, independent filmmakers, local talents working in Hong Kong's creative industries (in particular film industry) and Hong Kong film audiences may argue the opposite.

This chapter will address the background of the Hong Kong film industry to see why it needs to coproduce with China. Then I investigate the relative advantages of collaboration with Hong Kong. I will mostly focus on the period after the introduction of Closer Economic Partnership Arrangement (CEPA), which is a broad economic partnership arrangement between the mainland and Hong Kong, with the film industry a small part of it. In order to do so, I look at the development of the Hong Kong-China coproduction relationship, which is the longest and richest, historically, between China and any other territory. Finally, the chapter looks at how Hong Kong cooperates with China, through an analysis of Peter Chan's and Johnnie To's experience of working in China.

As previously discussed, the huge Chinese market is attracting media producers from all over the world to take advantage of the rising market opportunities. Hong Kong production companies made a very early entry by producing television dramas specifically for mainland viewers and increasing the number of jointly produced films with Chinese media entities since the 1980s (Ma 2006). Moreover, Hong Kong has the status of Special Administration Region (SAR) of China, which, coupled with its geo-cultural proximity with the mainland, provides privileged access to the Chinese market for Hong Kong filmmakers.

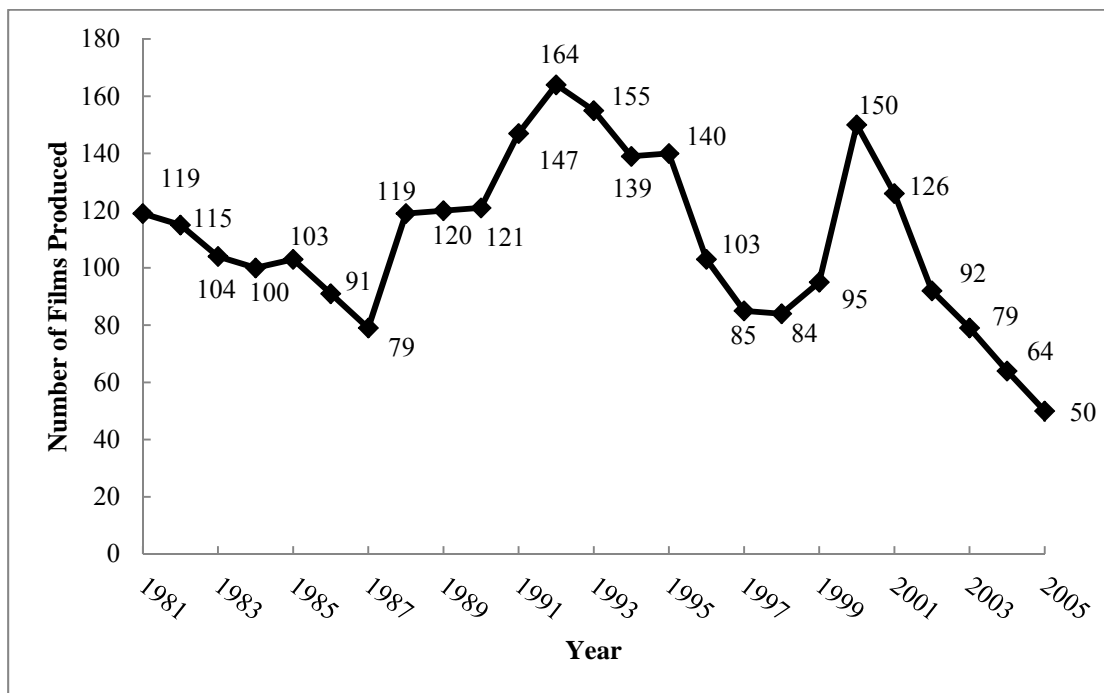
Hong Kong enjoys a privileged position due to the 2003 Closer Economic Partnership Arrangement (CEPA) that granted Hong Kong products and services easier access to the mainland China market (Yeh 2010:193). After the introduction of this agreement Hong Kong films were reclassified from imported to domestic films, and many Hong Kong film producers ventured to the mainland, mostly to Beijing. In 2004, the Chinese media reported the phenomena as the ‘moving north group’ (*jiti beishang*) (Dong 2012:185).

5.1 Hong Kong film industry background

As a former British colony, Hong Kong has had more political and economic freedom than the mainland and Taiwan to develop its film industry. The cinema of Hong Kong in its heyday was iconic and produced many stars (Chan and Fung 2011: 77). During the 1980s and early 1990s, Hong Kong film dominated Sinophone cinema in the Asia-Pacific region. It not only fully occupied the local market, but also drew substantial profits from traditional overseas markets such as Singapore, Thailand, Malaysia, Indonesia, South Korea and Taiwan (Leung and Chan 1997; Wong and Lee 2009; Wong 2003). It reached even further internationally, especially through action cinema. This built up a strong cult following and created a unique cultural identity that was widely embraced and imitated.

Hong Kong film production reached a peak in the early 1990s (see table below). Over the next decade the industry underwent a decline, the lowest point being 1997, the year that the colony was handed back to China. However, the seeds of decline were sown in the 1980s, the period considered as Hong Kong films’ golden era. According to Teo, the boom times led to overproduction, which was attended by a drop in quality control and an exhaustion of overused formulas (Teo 2008:341-342; see also Yang, 2003). In 1997, the Asian financial crisis decimated regional markets and the situation went from bad to worse (Curtin 1999). At the same time, other external factors, such as Hollywood studios’ aggressive push into Asian markets and the rise of other Asian film industries such as Korea, Japan and Taiwan, heightened the challenge to Hong Kong’s regional supremacy (Wong and Lee 2009; Wong 2003). Rampant video piracy through East Asia and China at that time was a major contributor to the decline of the Hong Kong film industry in the 1990s (Teo 2008:343), while internal developments, such as shrinking investment capital, an exodus of talent and continuous decline in box office revenues (Chan and Fung 2011: 77-78), also contributed to the fading glamour of “Hollywood East”.

Figure 5.1: Hong Kong film production 1980–2005



Sources: Film Biweekly/City Entertainment, HKTDC

Curtin (2003: 202–205) proposes the concept of media capital – ‘powerful geographic centres that tap human, creative, and financial resources within their spheres of circulation in order to fashion products that serve the distinctive needs of their audiences’. He highlighted the significant role of Hong Kong as a media capital ‘where things come together and, consequently, where the generation and circulation of new mass culture forms become possible’.

The impact of Hong Kong’s handover to Chinese sovereignty in 1997 on the film industry was profound (Curtin 2011: 6–10). Anxieties concerning the Chinese government’s strict scrutiny of media content and restrictions on genre led some creative talent to seek work abroad. As figure 5.1 shows, the industry subsequently entered into ‘a cycle of hyperproduction’, with production volume peaking in 1999 at 150. But these low quality products alienated loyal audiences both at home and overseas. Curtin (2011: 6–7) indicates

that this also caused piracy problems, as consumers were increasingly reluctant to spend money on films of unknown quality at the box office or on DVD and sought out pirated versions instead. In addition, the unclear censorship policy of the Beijing government fostered ‘a culture of self-censorship’ among many producers that further alienated audiences, especially those in Taiwan, Singapore and Malaysia.

A major turning point for many in the Hong Kong industry was reached when they engaged in a rejuvenating strategy of Pan-Asian production, which considered the growing Chinese market as the panacea for the industry rather than as a threat (Szeto and Chen 2012:118; Teo 2008:343). The trend was to target and further expand into the mainland market by coproduction. This led to ‘fundamental changes in the structure and organization of Hong Kong cultural production’ (Chan and Fung 2011: 77-78). This need for what Chan and Fung call ‘hybridization with Mainland Chinese culture’ (2011: 87) is an irreversible trend. It is particularly acute at the current historical juncture because Hong Kong’s audio-visual industry is in decline; its small domestic market means that it has to explore markets beyond its territories. Greater China, as a proven market, definitely is the largest potential partner. Curtin (2011:8-9) has pointed out that the PRC government also has ‘defly wielded the carrot and the stick in order to tame the industry and bring it into the fold of nationally-sanctioned media institutions’. Accordingly the Hong Kong film industry has gone through a systematic process of resinicization since the 1990s.

5.2 Coproduction History before CEPA

Coproduction is not a new solution for the Hong Kong film industry. Hong Kong has a long history of cooperation with the Mainland even before the 1990s. In the 1960s, film production companies in mainland China such as Pearl River Film Company, Beijing Film Studio, and Tianma Film Studio collaborated with left-wing cinema¹¹ organisations in Hong Kong, including Great Wall Movie Enterprises Ltd, Fenghuang Motion Picture Company, Sun Luen Film Company. They coproduced traditional operas such as *Teochew opera (gao*

¹¹ The origin of Chinese left-wing cinema began in the 1930s when an overwhelming number of left-wing films first appeared, politicized by Mao Zedong during the Yan’an period in the 1940s, peaked in the creation of the ‘model operas’ during the Cultural Revolution from the late 1960s to the early 1970s, and concluded in the middle and late 1980s when the ‘fifth generation’ directors started to criticize the Chinese Communist party in their films (Shen 2013). During 1930s, a group of film makers (left-wing filmmakers) such as Cai Chusheng, Xiayan shared some common understandings about the social mission of the film medium and visions of modernity and nationhood, which resulted in a body of films that was coloured by a leftist orientation or patriotic reaction towards national disaster) (Pang 2002).

qinfu 1957) *Dream of the Red Chamber* (*honglou meng* 1959), and *A Happy Match is Fixed by Heaven* (*hongye tishi* 1959). The collaboration was interrupted by the Cultural Revolution (from 1966 to 1976). When the reform and opening-up policy was established in 1979, mainland China was eager to repair relations with Hong Kong and Taiwan, and rebuild the nation's image through cooperation with the outside world. Film, along with sport, was quickly identified as a means to achieve these ends. The China Film Coproduction Corporation (CFCC) was established in 1979. Later in 1981, *Measures for Control over Imported Films* (*jinkou dianying guanli banfa*) were issued. From that time, coproduction between mainland China and Hong Kong officially started (Yin and He 2009).

Coproduction with Hong Kong after the Cultural Revolution and before the CEPA can be divided into three stages: the beginning stage in the early 1980s, the developing stage from 1984–1996, and the further developing stage from 1996–2003. At the very beginning, the left-wing film companies in Hong Kong initiated cooperation with the mainland under the support and policy encouragement of the central government. In 1980, Fenghuang (Phoenix) Motion Picture produced *Enigmatic Case* (*bishui hanshan duomin jin* 1979), which was also the debut of the famous Hong Kong director Johnnie To. It was also the first Hong Kong film that involved location shooting on the mainland. Also, *Yun nan qi qu lu* (1979) and *The Bride with White Hair* (*baifa monv zhuan*_1980li) were produced by Great Wall Movie Enterprises. In 1982, Chengzhi Liao, the vice chairman of the National People's Congress proposed to produce the *Shaolin Temple* (*Shaolin si* 1982) (Zhang 2012:60). The film was directed by Zhang Xinyan and produced by Great Wall Movie Enterprises and Sun Luen Film Company. These two organizations had mainland China backgrounds and engaged in the production of the film under the name of Chung Yuen Motion Picture. The production gained strong support from government agencies such as the General Administration of Sport which sent eighteen kung-fu professionals to work on the film. The film was very successful in the greater China area. In November 1982, Great Wall Movie Enterprises, Feng Huang Motion Picture and Sun Luen Film Company decided to merge as Sil-Metropole Organisation Ltd, a company still active today, based in Hong Kong (Meng Weidi 2013 in Wei Junzi 2013:69).

At the same time, non-left wing film companies started collaborations in China. *Reign behind a Curtain* (*chuilian tingzheng* 1983) and *Burning of the Imperial Palace* (*huoshao yuanming yuan*_1983) directed by Li Han-Hsiang were regarded as the first two coproductions between the mainland and Hong Kong after the implementation of reform and the open policy (Zhao

2012). Li Han-Hsiang is regarded as the first non-left-wing producer to produce a film on the mainland. However, Zhao Weifang (2012:87) believes that *Real Kung Fu of Shaolin* (*renwu keren* 1980) which was coproduced by Hai Hua Cinema Company and Fujian Film Studio was the first coproduction between mainland China and a non-left wing film company in Hong Kong after the establishment of PR China. In addition, mainland China also assisted Hong Kong with the production of *Boat People* (*touben nuhai* 1982), and *the Disciple Of The Shaolin Temple* (*Shaolinsi dizi* 1983), *Homecoming* (*sishui liunian* 1984). The total number of coproductions in the 1980s reached thirty-one (Zhao 2012).

The 1980s can be considered to be the first stage of mainland China- Hong Kong coproduction. Zhang Fu (2000:200) argues that at that time China generally treated this kind of collaboration as a political mission, so political influence was more significant than economic returns. Zhao (2012:87) further argues that the real purpose of the government in supporting coproduction can be demonstrated by the first coproduced film with a non-left-wing film company, *Real Kung Fu of Shaolin* (1980). Although its director, Chi-Shao Yang, and leading actor, Gary Siu, were not popular in Hong Kong, the film was strongly supported by Liao Chengzhi, the highest level administrator at the Hong Kong and Macao Affairs Office (HKMAO) of the State Council. Liao not only gave full support in the administrative process but also restored the status of Fujian Film Studio, which had been cancelled in 1962 due to economic difficulties. His effort smoothed the production process.

By doing this, clear messages were sent from mainland China to the rest of the world: China was not going to close itself off anymore and was willing to collaborate with people or classes who it had never cooperated with before. *Real Kung Fu of Shaolin* was not as successful as expected. However, Zhao believes that the release of this film led to Li Han-hsiang coproducing *Burning of Imperial Palace* (1983) and *Reign behind a Curtain* (1983) with mainland China. These two films turned out to be great successes in Hong Kong and overseas and also promoted the opening-up policy of the Chinese government as well as encouraging further coproductions.

During this period, Hong Kong parties usually took the leading role in the coproduction and were responsible for investment and creation. On the other hand, mainland China provided assistance in personnel, equipment and space, and showed no ambition in relation to business. Furthermore, Hong Kong parties controlled distribution of the film. The 1980s was a prosperous period for the Hong Kong film industry. The main overseas markets for Hong

Kong film were in Southeast Asia during this time. Although there were some collaborations with mainland China, their main purpose was location shooting and to use cheap labour, and also to prepare the market for the future. Most of the highest profile Hong Kong film luminaries, such as Jackie Chan, Sammo Hung, Karl Maka, Dean Shek, Sam Hui and Sylvia Chang, kept their distance from coproduction films, though some major directors were involved.

In 1984, the Chinese central government started to reform the economic system. The film industry was expected to conduct business accounting independently and to assume full responsibility for their profits and losses. However, at the same time, nearly all of the film studios in China experienced economic difficulty because of the popularity of television and their poor adaptive capability in the market (Ni 1994: 47). In contrast to the recession in China, Hong Kong's film industry experienced its most prosperous period. From the mid-1980s to the mid-1990s the film industry contributed hundreds of millions of HK dollars per year (Chung 2004: 27-28).

In such a context, Hong Kong sought to take advantage of the scenery and cheap labour of the mainland. The mainland began to rely on Hong Kong to produce better films; cooperation between Hong Kong and the mainland was therefore enhanced. Since 1989, coproduction has become more frequent. The number reached 50 in 1993, or one third of the total volume of film production in Hong Kong in that year. In the same year, coproduced films became dominant at the box office in China. Of the top ten grossing films in Shanghai in 1993, nine were coproductions: *Farewell My Concubine* (*bawang bieji* 1993), *Flirting Scholar* (*tangbohu dianqiuxiang* 1993), *New Dragon Gate Inn* (*xinlongmen kezhan* 1992), *Once Upon a Time in China III* (*shiwang zhengba* 1993), *Mary from Beijing* (*mengxing shifen* 1992), *Raise the Red Lantern* (*dahong denglong gaogao gua* 1991), *Sword Stained with Royal Blood* (*xin bixue jian* 1993), and *Fist from Shaolin* (*shaolin haoxia zhuan* 1993).

In the 1990s, the most successful genres of coproduced films were commercial action, such as *Once Upon a Time in China* (*huang feihong* 1991) directed by Tsui Hark and starring Jet Li, and *New Dragon Gate Inn* (*xin longmen kezhan* 1992) directed by Tsui Hark. Also, there were some costume dramas such as *The Great Conqueror's Concubine* (*xichu bawang* 1994) and *Temptation of a Monk* (*youseng* 1993), as well as historical films describing early modern times such as *Lord of East China Sea* (*suiyue fengyun* 1993) and *The Soong Sisters* (*songshi sanjie mei* 1997). However, this type of film was more problematic than some other

genres due to the different views of history from the two sides, and due to censorship in China. Some gangster films also achieved good sales. For example, in *The Bodyguard from Beijing* (*zhong nanhai baobiao* 1994) Jet Li played a policeman from mainland China. *The Trail* (*xialu yinghao* 1993) directed by Zhou Xiaowen and Manfred Wong is another typical example. Some Chinese art films during this time won a good reputation globally, for example, *Ashes of Time* (*dongxie xidu* 1994), *The Blue Kite* (*lan fengzheng* 1993), *Farewell My Concubine* (*bawang bieji* 1993), *Painting Soul* (*huahun* 1994), *In A Distant Land* (*zaina yaoyuan de defang* 1993), *Red Firecracker, Green Firecracker* (*paoda shuangdeng* 1994), and *The Wooden Man's Bride* (*wukui* 1994). These films helped Chinese directors such as Zhang Yimou, Chen Kaige, and Wong Kar-wai gain international recognition.

Investment in coproductions in this period still mainly came from Hong Kong parties, including Golden Harvest Ltd and Sil-Metropole Organisation Ltd. Some mainland film companies such as Shanghai Film Company and the Beijing Film Company started to invest a small amount of money into production. According to Yin and He (2009) Taiwanese ‘hot money’¹², entered the industry through Hong Kong. For example, Tomson Films Co., Ltd. in Taiwan, using the name of Hong Kong Tomson Films, coproduced *Farewell My Concubine* (*bawang bieji* 1993) with mainland China. The Taiwan Scholar Film Company hired Wong Kar-wai to produce *Ashes of Time* (*dongxie xidu* 1994). Taiwan Scholar invested in sixteen films in Beijing and Hong Kong in 1994 (Yin and He: 32–33).

In the late 1980s and the early 1990s, mainland China was placed in an inferior position with the production experience coming from Hong Kong and investment from Taiwan. Many state-owned film companies engaged in coproductions by only selling the company’s name. This phenomenon is called ‘fake coproduction’ by Ng Seeyuen (2008) as mentioned in Chapter Three. Fake coproduction means investment in the coproduction came completely from Hong Kong, but the name of a mainland film company was still used in the film. This was a win-win game at that time. As many film companies on the mainland were close to bankruptcy when China instituted the market economy, selling their names to Hong Kong film companies helped them survive (Ng 2008: 80–81). Many such fake coproductions were of very low quality, which inevitably had a negative influence on the reputation of coproductions. Overall, coproduction provided a larger market for Hong Kong films, but it did not change the unprofitable situation of the mainland film industry during that time.

¹² Money from outside film industry.

On 25 August 1996, the Administration of Film tightened the existing policy and insisted on the principle that joint venture films be led by the mainland. China was attempting to assert control in the media sector in the face of foreign incursions. The popularity of television, video recorder and video tape had allowed Hollywood films to infiltrate the mainland market. As mentioned above, instability caused by the handover of the territory from the United Kingdom to the People's Republic of China and the Asian financial crisis in 1997 significantly disturbed the economy of Hong Kong and its film industry. Before 1997, Hong Kong films had already lost market share in South Korea and Taiwan. The financial crisis further impacted on such markets as Singapore and Malaysia. The Hong Kong film industry entered a depressed period. The wave of immigration in the late 1990s due to the anxiety about the upcoming handover led many Hong Kong film industry talents to consider Hollywood; for instance, John Woo and Yun-Fat Chow, who have become well-known because of *A Better Tomorrow* (*yingxiong bense* 1986), as well as Tsui Hark, Jackie Chan, Sammo Hung, Jet Li, and Yuen Woo-ping.

'People who could emigrate would do so', recalled Peter Ho-Sun Chan (Curtin 2011). Hong Kong media claimed that Hong Kong film was dead. The number of joint productions reduced sharply from 57 in 1993 to 29 in 1996, 25 in 1997 and only 7 in 1998. Few joint production films achieved success in China during the depression period between 1997 and 2001; for example, *The Storm Riders* (*fengyun xiongba tianxia* 1998), *Roots and Branches* (*wode xiongdi jiemei* 2001) (Yin and He: 33) .

Later, the film market started recovering along with the mainland's film industrialisation. At the height of the depression period, some film workers such as Ng See-Yuen fully recognised the importance of the mainland market. Some of the most prominent film production companies in Hong Kong, including Golden Harvest Company, Seasonal Film Corporation, and Film Workshop Co., Ltd, started emphasising collaboration with mainland China. A-list directors such as Tsui Hark, Ng See-Yuen, Wong Kar-wai, and Peter Chan, and A-list actors such as Maggie Cheung, Leslie Cheung, Leung Chiu Wai, and Andy Lau began to feature regularly in coproduced films.

5.3 The Advantages of working in the PRC

In 2001, China became a member of the World Trade Organization (WTO). While it was gradually liberalising its market, tight censorship and protective measures still existed to

protect the market and the national interest, leading some scholars to describe this unique situation as ‘neoliberalism with Chinese characteristics’ (Harvey 2005: 120–151; Szeto and Chen 2011). The media industry was protected at that time in what was called the ‘selective/controlled market liberalization’ process (Wang 2004). Thanks to the CEPA, preferential market liberalisation policies were extended to Hong Kong businesses, but not to other foreign countries. Originally, the film industry was not included in the CEPA. Ng See-yuen, the chairman of the Federation of Hong Kong Filmmakers, mentioned that his friendship with Tung Chee Hwa, first Chief Executive of Hong Kong, helped to add the film industry into CEPA during negotiations, two weeks before it was officially signed (Ng See-yuen 2012:65). The identity of Hong Kong film thus changed from foreign film into domestic film, which privileged Hong Kong films by removing quota restrictions, increasing their potential box office share (30–40%), and the waiving of import tax and other distribution rights then levied on foreign films. As May and Ma (2014:45) suggest, Hong Kong did not receive many of the benefits of being a territory of China until signing the CEPA, when the mainland audio-visual area was opened up. The opening up went further with the introduction of CEPA I and CEPA II (Further Trade Liberalisation) and III (Supplement II to CEPA). Given the importance of the CEPA in the history of Sino-Hong Kong joint production, it is appropriate to quote extensively the essence of the agreement.

CEPA Main Text and Six Annexes (signed on 29 June 2003 and 29 September 2003 respectively)

Chinese language motion pictures and motion pictures jointly produced	<ul style="list-style-type: none"> • Chinese language motion pictures produced in Hong Kong may be imported for distribution in the mainland on a quota-free basis, after vetting and approval by the relevant mainland authority. • Chinese language motion pictures produced in Hong Kong refer to those motion pictures made by production companies which are set up or established in accordance with the relevant laws of the Hong Kong Special Administrative Region, and which own more than 75% of the copyright of the motion pictures concerned. Hong Kong residents should comprise more than 50% of the total principal personnel in the motion pictures concerned.
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	<ul style="list-style-type: none"> • Motion pictures jointly produced by Hong Kong and the mainland are treated as mainland motion pictures for the purpose of distribution in the mainland. Translated versions of the motion pictures in languages of other Chinese ethnic groups and Chinese dialects, which are based on the Putonghua version, are allowed to be distributed in the Mainland. • For motion pictures jointly produced by Hong Kong and the mainland, there is no restriction on the percentage of principal creative personnel from Hong Kong, but at least one-third of the leading artistes must be from the mainland; there is no restriction on where the story takes place, but the plots or the leading characters must be related to the mainland.
Cinema theatre services	<ul style="list-style-type: none"> • To allow Hong Kong service suppliers to construct, renovate and operate cinema theatres on an equity joint venture or contractual joint venture basis. • To allow majority shareholding, not exceeding 75%, for Hong Kong service suppliers.

Supplement to CEPA (signed on 27 October 2004) (CEPA II)

Chinese language motion pictures and motion pictures jointly produced	<ul style="list-style-type: none"> • To allow motion pictures coproduced by Hong Kong and the Mainland to be processed outside the Mainland after obtaining the approval of the relevant authorities in the Mainland. • To allow Hong Kong service suppliers to establish wholly owned companies in the Mainland on a pilot basis to engage in the distribution of Mainland produced motion pictures after obtaining the approval of the relevant authorities in the Mainland.
Cinema theatre services	<ul style="list-style-type: none"> • To allow Hong Kong service suppliers to construct or renovate cinema theatres for the operation of film screening business on a wholly-owned basis.

Supplement II to CEPA (signed on 18 October 2005)

Chinese language motion pictures and motion pictures jointly produced	<ul style="list-style-type: none"> • The Cantonese version of motion pictures coproduced by Hong Kong and the mainland is permitted to be distributed and screened in Guangdong Province, after obtaining the approval of the relevant authorities in the mainland; the Cantonese version of motion pictures produced by Hong Kong and solely imported by the Film Import and Export Corporation of the China Film Group Corporation is permitted to be distributed and screened in Guangdong Province, after being examined by and obtaining the approval of the relevant authorities in the mainland. • The import of Chinese language motion pictures made by production companies which are set up in accordance with the relevant laws of the Hong Kong Special Administrative Region and which own more than 50% of the copyright of the motion pictures concerned¹ is exempted from quota restrictions for distribution in the mainland, after being examined by and obtaining the approval of the relevant authorities in the mainland.
Cinema theatre services	<ul style="list-style-type: none"> • Hong Kong service suppliers are permitted to establish wholly-owned companies in the mainland, each of which may construct or renovate more than one cinema theatre at more than one location for the operation of film screening business.

(Cited in Trade and Industry Department The Government of the Hong Kong Special Administrative Region: Specific Commitments on Liberalization of Trade in Services)

After the enactment of CEPA in 2003, collaboration in film developed rapidly. On one hand, investment, experience, talent and platforms from Hong Kong improved the performance of Chinese film in both the domestic and global markets. On the other hand, mainland China provided more space for the development of Hong Kong film because of its market and resource. More and more film companies in Hong Kong, such as China Star Entertainment Group, Media Asia Entertainment Group, Universe Films, and Xinghao Entertainment Co. Ltd, started doing business in mainland China. Film workers such as Jackie Chan, Tsui Hark, John Woo, Wong Jing, and Pang Ho-Cheung now began to spend more time working or even living on the mainland.

As mentioned in Chapter four, the total number of coproductions between mainland China and other countries or areas reached 428 between 2002 and 14 December 2012. 293 of these were Sino-Hong Kong joint productions, or 68.5 per cent of the total. Sino-Hong Kong joint productions dominated at the box office from 2002 to 2012. The portion of the total box office commanded by Sino-Hong Kong joint productions reached over 90% in seven of these eleven years during this period, with lower totals only recorded in 2003 (50%), 2005 (70.5%), 2008 (85.4%) and 2012 (87.5%). In 2004 and 2007, the number even reached 98.3% and 98.9% respectively (Zhan 2012: 42-43). From these data we can see the importance of Sino-Hong Kong joint productions to the Chinese film industry.

After CEPA, Hong Kong companies did not always play the leading role in joint production. The coproduction modes with Hong Kong became more diverse. Some films, such as *House of Flying Daggers* (*shimian maifu* 2004), *The Banquet* (*yeyan* 2006), and *The Sun Also Rises* (*taiyang zhaochang shengqi* 2007), adopted the mode “produced by mainland/investment from Hong Kong”. Other films employed the mode of “produced by Hong Kong /investment from mainland”, for example, *The Warlords* (*touming zhuang* 2007), *Perhaps Love* (*ruguo· ai* 2005), and *A Battle of Wits* (*mogong* 2006). More adopted the mode of mixed production/investment, such as *Curse of the Golden Flower* (*mancheng jindai huangjin jia* 2006), and *Red Cliff* (*chibi* 2008). Cross-regional finance, production, distribution and screenings became a trend for coproductions during this period. From the perspective of companies, more and more coinvested enterprises were established. Chengtian Entertainment Group International Co. Ltd from the mainland became the largest sole shareholder of Orange Sky Golden Harvest from Hong Kong. This was the first time in history that a company from the mainland had become the major shareholder of a Hong Kong-listed film company. Based

on Zhan's analysis of Sino-Hong Kong joint productions between 2002 and 2012 (Zhan 2012: 42–43), action films, including *wuxia*, kung-fu and gangster, took the largest portion (41.3%), followed by comedy (20%), romance (17.7%) and adventure (13.8%). Thriller was the least popular with only 5.8% because of restrictions on the mainland. Traditional Hong Kong horror films completely disappeared from theatres, as the Chinese state opposed films featuring ghosts (Pang 2013: 208–227).

5.4 Peter Chan: from Hong Kong filmmaker to Greater China filmmaker

The joint productions mentioned above and the Hong Kong films which qualified through the CEPA are defined as a CEPA Film by Hong Kong film industry people and movie critics (Lie 2014: 18). It might be assumed that Hong Kong film workers could easily adopt the collaboration model due to geo-cultural similarity. However, because of the hundred years of British rule, the political system and social culture of Hong Kong and Mainland China have become very different. Before 1997, many Hong Kongers had never been to the Chinese mainland. To many Hong Kong filmmakers, the mainland market should be familiar due to similarities, but it also unfamiliar for reasons above. How were they expected to deal with such a familiar but strange film market? 'For Hong Kong directors, their level of success in the North is determined by whether they can display their professionalism to its fullest and successfully render genre films under the current regulatory environment. At the moment, these are precisely what Mainland China needs the most and they happen to represent a niche that Hong Kong directors can fill' (Lee 2012: 191). A focus on the different career strategies and trajectories of Hong Kong directors Peter Chan and Johnnie To will illuminate the complex challenges of Sino-Hong Kong collaboration.

The evolution of Peter Ho-Sun Chan can be summarised as follows: from a Hong Kong filmmaker to an Asian filmmaker to a greater China filmmaker. However he was not the first to respond to the mainland market and to choose to venture up north. Following Hong Kong's handover to PRC in 1997 and the downturn in Hong Kong's film industry, Chan firstly pursued his Hollywood dream with *The Love Letter* (1999), giving him a taste of American mega-corporate culture, but he could not get used to Hollywood corporate protocols (Curtin 2011: 2). This experience affected his later choice of taking the route north. He thought 'since I couldn't work with the constraints in Hollywood, how I would be able to shoot in the Mainland?' (cited in Li, C 2012: 69). Chan avoided entering the mainland for as long as he could. After he went back to Hong Kong from Hollywood, he established Applause Pictures

in 2000, fostering ties with pan-Asian filmmakers with the films such as *Jan Dara* (*wanniang* 2001), *One Fine Spring Day* (*chunshi* 2001), *The Eye* (*jiangui2* 2004). 'While other local filmmakers were entering into coproductions with their Mainland counterparts, Chan chose to remain ardently identifiable with Hong Kong first and foremost' (Li, C 2012: 11).

In 2005, Peter Chan finally made his first step north with the musical extravaganza *Perhaps Love* (*ruguo ai* 2005) entering the burgeoning mainland market. Actually, Chan tested the water in 2001 with his movie script *Waiting* (*dengdai*), but it did not receive the requisite approvals. He said: 'That was my first encounter with the incomprehensible happenings in the Mainland. I didn't feel *waiting* (*dengdai*) was sensitive materials, but this was due to my ignorance towards the censorship standards -- some issues mentioned in the original screenplay, such as military marriages, were indeed sensitive' (cited in Li, C 2012: 101). At that time, Chan was still naive about the rules that existed on the mainland and tried to avoid the inevitability of going there.

Later, the success of Zhang Yimou's *Hero* (*yingxiong* 2002) motivated him to venture north to make a true Hong Kong-China coproduction. 'There were many fake coproductions between Hong Kong and China – they simply cast a couple of Mainland film stars and tweaked the ending somewhat'. He observed that 'real coproductions must have an organic mixture of elements from both the Mainland and Hong Kong' (cited in Li, C 2012: 101). His first coproduction, *Perhaps Love* (*ruguo ai* 2005), was not that successful in box office terms. He realised at that time that Hong Kong filmmakers knew as little about the Chinese market as any other non-Chinese person, noting that they had to 'grope our way in the dark. Any experience we had acquired elsewhere was completely irrelevant there' (cited in Li, C 2012: 102). At that point, Chan and other Hong Kong directors were trying to understand more about the mainland market and its rules. After the experience of *Perhaps Love*, his next film *The Warlords* (*Touming Zhuang* 2007) synched with the mainland market. The cooperation with the China Film Group made it an epic period blockbuster with a big budget.

After earning 200 million RMB from *The Warlords* (*touming zhuang* 2007), Chan decided to move his office to Beijing. He became the first Hong Kong director to reach over 100 Million RMB in box office takings. During that time, it was a popularly believed that the Hong Kong film was dead, and given that Hong Kong films and Cantonese pop culture were recognised as two very important elements of Hong Kong identity this decline led to a sense of identity crisis (Zhong 2010: 129). After the production of *The Warlords* Chan reflected:

We cannot defend the status of Hong Kong film forever because it is out of date. The spirit of Hong Kong and Hong Kong film is fully displayed by *The Warlords* as major contributors of this film are Hong Kongers. The production of this film exactly followed the Hong Kong style. Although people call it Chinese film or coproduction, it does not matter as the film represents the real Hong Kong film spirit (cited in Luo 2008: 65).

In 2009, Chan moved further into his coproduction journey. He established Renren Film Co. Ltd with Polybona Films. Before this move, the cooperation strategy between Hong Kong and the mainland was quite short-sighted, usually only aimed at one single film. After this alliance was formed, cooperation became more stable and coproductions were planned from a long-term perspective. Other alliances were formed between Hong Kong and mainland companies. For example, Shanghai Film Media Asia was founded by Media Asia Group, Shanghai Film Group Corporation and Beijing Guoli Changsheng Entertainment Co. Ltd. Renren Film delivered a historical action film *Bodyguards and Assassins* (*Shiyue weicheng* 2009) directed by Teddy Chan featuring an all-star cast. Peter Chan worked as a producer on that film.

There were instances of maladjustments among the Hong Kong directors when they first entered the Mainland Chinese system ... Hong Kong directors have to get used to a different type of working environment. Once they become adjusted, however, they will become more mature. This will bring about a whole new dimension for Chinese films – once-glorious Hong Kong cinema will come to influence the future of Chinese films in an indirect way (Lee 2012: 193).

After ten years of exploration, Chan has matured and it seems that he has found a comfortable position for himself, where he can make the films he is truly good at and which are welcomed by audiences. The box office of his recent realistic theme work – a medium-scale production – *American Dreams in China* (*Zhongguo hehuo ren* 2013), grossed more than half a billion RMB in China, but only five million RMB in Hong Kong. The film was set on the mainland and was not related to Hong Kong at all. *American Dreams in China* (2013) enabled him to reach another peak in his career. The film earned RMB538 million and took out the best director trophy and the best dramatic film award at China's Golden Rooster and Hundred Flowers Film Awards. He was the first Hong Kong director to win this award and is the only director who has garnered Best Director awards from China's Golden Rooster,

Huabiao Awards, Hong Kong Film Awards and Taiwan's Golden Horse. The Golden Rooster Film Awards are China's highest professional film awards, chosen by film artists and critics. Wining the awards indicates that Peter Chan's contribution has been recognised by the Chinese government, as the awards are supported by the Propaganda Department of the CPC Central Committee. It also means that Peter Chan may enjoy more political privilege and blessings from the state authorities for future coproductions.

Lee (2012: 187) pointed out that

[A]s soon as Chan became a Mainland Chinese director, he could not help but give up on his emphasis on the diaspora theme and contemporary realism. Instead, he needed to turn his attention to a type of grand narrative that readily resonates with the masses ... When he arrived in Mainland China, he could not help but adopt a more macro approach. This could well be a decision that all Hong Kong directors have to make in order to develop their careers in the Mainland. From local, craftsman-like auteurs, they have to undergo a transformation to become directors of slick blockbusters. Peter Chan's transformation helps shed light on the challenges and possibilities that the Mainland film market presents to Hong Kong directors.

Compared to his earlier works, such as *Perhaps Love* (2005) and *The Warlords* (2007), which were created to cater to the mainland market at that time, Chan's recent works, such as *American Dreams in China* (*Zhongguo hehuoren* 2013) and *Dearest* (*Qinaide* 2014), indicate that Chan has finally returned to contemporary realism stories. He says:

Looking back the eight years I spent in Mainland making films, at the beginning, I felt that I have lost my sentiments and intent. Making contemporary realism is easy to me. But I had to produce epic period blockbuster before, it is like I lost my intent in making film. By directing *American Dreams in China* (*Zhongguo hehuoren* 2013), my intent come back. Nothing has lost now. (Nai 2013)

Chan has incorporated his Hong Kong sensibility within mainland protocols. His latest film, *Dearest* (2014), which is about child kidnapping in China, set up another milestone for Sino-Hong Kong film collaboration. The story is about a band of parents who set out to find the children who were taken from them. Previous Sino-Hong Kong joint productions have tended to draw on genres such as action film *wuxia*, kung fu and gangster, comedy and romance. These topics are less politically sensitive and can easily obtain approval from the government

for screening. *Dearest* impresses with its ugly vision of child abduction in contemporary China, and also touches slightly on the problem of China's judicial system. Chan's experience reflects how Hong Kong directors have adjusted themselves for the mainland market. The change in genre and content of Chan's works also shows the development of collaborations between Hong Kong and the mainland. As Szeto and Chen put it (2012: 119), 'although the CEPA policy deregulates the film market to allow the flexible flow of capital between Hong Kong and China, it continues to regulate the flow of ideas and of labour'. Lam (2012: 165) says that the mainland is only interested in importing Hong Kong film techniques, not the ideology. Most of the Hong Kong directors who became Chinese directors in the first few years of coproduction after CEPA were confused, and struggled as a result. On the one hand they lost the creative freedom that had supported them in Hong Kong in the 1990s, and on the other they were not mature enough to comfortably manage the demands of mainland censorship and the different market expectations. Most famous Hong Kong directors have their own strong personal styles and their favourite film genres. After moving up north, Hong Kong filmmakers had to cater to the local market and investors, and most of the time ended up with an unfamiliar or an adopted genre.

The sentiments that they frequently embedded into their films had also lost their magic ... Peter Chan will be hard pressed to come out with films along the lines of *He Ain't heavy, He's My Father*, ... *Almost a Love Story*, not due to incompetence, but because his sentiments won't be able to find a home in the north. What he and other Hong Kong directors can do under new circumstances is to skim over sentiments and intent, but tell grand narratives that are readily accessible to the larger Chinese audience. Perhaps from that point on, there will only be Peter Chan the Chinese Director (Lee 2012: 191).

After several years' exploration and adaption, some Hong Kong directors are now able to dance well with the shackles. Chan indicates that he could finally be himself when making *American Dreams in China* and *Dearest*. However, the compromises he made can clearly be seen. The artistic intent, which is a kind of personal intent, was replaced by a national intent. Chan's brave attempt to deal with contemporary social issues in China not only indicates a more versatile and mature filmmaker, but the success of the films also indicates a more mature domestic market; The question now is whether the Hong Kong filmmakers can assist

the Chinese film industry to gain international popularity and, in the process, help the Chinese government to achieve its aims of soft power.

5.5 Johnnie To: Compromise and Consistency

Johnnie To represents those filmmakers who express a greater concern about their Hong Kong identity. Now in his 60s, he is still not that reconciled to the new reality and said that ‘if possible, he wishes he could only make films in Hong Kong’ (quoted in Nai 2013). However, To had to bow to the reality after fifteen years’ insistence on trying to rely exclusively on the poor Hong Kong film market. He officially debuted on the mainland with *Don't Go Breaking My Heart* (*Danshen nannv* 2011) after CEPA.

To’s debut as a film director, *The Enigmatic Case* (*Bishui hanshan duomingjin* 1979), was also a joint production with the mainland. Later, he continued his career in producing television series and founded Milkyway Image. Now, he has become a symbol of post-1997 Hong Kong film. In 2013, Johnnie To returned to his favourite genre and made a gangster movie, *Drug War* (*Duzhan* 2013), which earned a total of 147.54 million RMB. It was his first gangster film produced on the mainland. Unlike romance film, it is difficult to find similar gangster films emanating from the mainland. Censorship, as always, was a consideration. ‘We are not familiar with restrictions in film production in Mainland. We have discussed every scene in the film with different parties. Actually, the results are better than we expected. Modifications required from the government are just a few’, says To (quoted in Nai 2013.). Looking back at the box office returns on his Hong Kong films in recent years, *Sparrow* (*Wenque* 2008) made 5.59 million HKD, *Vengeance* (*Fuchou* 2009) 1.62 million HKD, *Accident* (*Yiwai* 2009) 5.23 million HKD. Johnnie To’s final choice is coproduce work on the mainland. ‘I feel like I am back to the starting point’ (quoted in Nai 2013). Hong Kong film will continue merging with the mainland market, an inevitable trend into the future. It does not necessarily mean that Hong Kong will not have its own film industry; instead, Hong Kong film will maintain a position as a local film in the Great Chinese film industry.

5.6 Discussion

Most of the time audiences cannot determine the difference between a Sino-Hong Kong joint production and a pure domestic film (Yin and He 2008). A leading Chinese film scholar, Yin (2008), suggested using Chinese film to define rather than to simply identify a domestic film or a Hong Kong film. In terms of the advantage and disadvantage of China-Hong Kong film

joint production for both sides, some scholars have shown strong resistance to Hong Kong films' assimilation into the mainland. They argue that the Sinicization of Hong Kong film loses elements of itself due to the need to satisfy the domestic market (Liu 2014). Some, like Curtin (2011:9), take a strong critical position on what is lost from Hong Kong creativity. He argues that Sinicization 'has undermined Hong Kong's status as a transnational and relatively independent centre of creative endeavour'. He further notes that Hong Kong is 'less a global media capital than it is a service centre for a renationalized film industry that is orchestrated by the Communist Party leadership in Beijing. No longer a peer to Hollywood or Mumbai, it has become an appendage to a state system that benefits from a vast and putatively captive domestic market' (Curtin 2011: 9).

Some commentators tend to a more pragmatic position. Chan and Fung (2011: 87) say that coproduction is 'mutually beneficial to both sides' and helps to extend the life of Hong Kong media industries while 'pursuing a place in an emerging integrated Greater China market'. They believe coproduction is an effective tool for helping Hong Kong to overcome ideological constraints, as purely Hong Kong products may be vulnerable to China's protectionist measures. Through coproduction, China and Hong Kong can complement each other, while 'China is known for its cheap labour supply, availability of scenic sites and studio facilities, and a large domestic market, Hong Kong owes its edge to ready access to capital, availability of world-known performers, and better knowledge of global marketing (Chan and Fung 2011: 87)'. However, most scholars believe that coproduction centred in China has actually saved the Hong Kong film industry from a crisis and brought it back to pan-Asian audiences through China-Hong Kong blockbusters (Chung forthcoming). May and Ma (2014: 43–50), in contrast to Curtin's argument, claim that Hong Kong has achieved a new status as a media capital. It is growing even more as a global film capital and is becoming an even more important juncture for overseas investors in the Chinese film industry due to new ties to the mainland film industry rather than seeing the demise of the film industry, as was feared with the handover and the Asian economic crisis. 'The two film economies are becoming more integrated into a supra-Chinese media and entertainment industry' under the CEPA, though they also agree that the cost of this change is 'dilution of the sense of Cantonese identity in Hong Kong films' (May and Ma 2014:50).

Szeto and Chen (2012: 119-120) take a different view, stating that the Hong Kong-China model or the 'neo-liberal restructuring with China characteristics', argued by some as a way

out for the crumbling film industry, ‘actually intensifies structural dangers’. They believe that ‘the Hong Kong film industry is facing painful dilemmas and questionable sustainability’. The coproduction dynamic creates a winner-take-all phenomenon. As they point out, the established and above-the-line creative Hong Kong talent and investors can ‘make it big beyond Hong Kong, often faring even better in China’ through joint productions, and ‘their survival and success actually depends on the sacrifice of Hong Kong junior and entrance level practitioners and technicians as jobs migrate to mainland China’. As their research shows, most below-the-line crew members have to ‘take pay cuts, accept exploitation and travel north to compete, or they have to leave the industry all together, making such careers unsustainable’. They believe that the Hong Kong film industry is exposed to a severe lack of younger talents and clear succession problems. In addition, coproduction and quota restrictions are generally believed to contribute to resisting the domination of Hollywood. But Hong Kong scholars Szeto and Chen (2012: 120) are sceptical, noting that ‘coproduction cannot resist Hollywood; it only takes over the market share of local films and seduces investors away from local films attentive only to local cultural sensitivities and concerns, driving Hong Kong film towards disappearing visibility and ontological crisis’. Furthermore, the mainlandisation of Hong Kong filmmaking, which Szeto and Chen refers to as the tailoring of creative content to satisfy SARFT’s taste, ‘tend to find the more liberal Hong Kong and South East Asian markets harder to penetrate’. It seems that in all Sinophone markets, ‘China or the rest’ is now layered upon ‘Hollywood or the rest’ as dual hegemonies. ‘The facing off of Mainlandization and Hollywoodization threatens Hong Kong film with ontological crisis’ (Szeto and Chen 2012: 117).

Laikwan Pang (2010: 140–143) indicates that ‘Hong Kong film industry’s difficulties since the 1990s can be characterized by Hong Kong cinema’s painstaking attempts to come to terms with China’. While most Hong Kong filmmakers choose to make big budget Mandarin language coproductions for the Chinese market, increasingly more studios, filmmakers, crews and talent are being based in Beijing, and many of the actual productions are conducted on the mainland because of lower costs and cultural proximity to potential viewers. The Hong Kong domestic market is becoming more and more marginalised, and Hong Kong cinema as a cultural industry is possibly coming to an end. As Pang (2010: 142) points out, Hong Kong films that ‘circulated in China during the last two decades are marked not only by the strong cultural identity of a (post) colonial city but also by its strong linguistic identity’. Apart from Putonghua, Cantonese could be the most understood dialect in China, a linguistically diverse

country, which partly contributes to the popularity of Hong Kong media content. The CEPA V (implemented in 2008) allows the distribution and screening of Cantonese versions of Hong Kong films in Guangdong province (its dialect is also Cantonese), which means an expansion of the domestic audience for Hong Kong movies from the city's 7 million citizens to the 86.42 million residents of Guangdong Province. Pang (2010: 140–143) argues that making regional films for Cantonese speakers in southern China and the rest of the world (an estimated global audience of almost 100 million) might imply a new cultural identity for this regional cinema; while much attention has focused on the trans-border coproduction trend, the Hong Kong film industry 'will be given a chance to maintain its own cultural and linguistic identity.

From my point of view, Sino-Hong Kong joint productions definitely contribute to the development of the Hong Kong film industry while accelerating the demise of Hong Kong film's cultural identity. However, what we should realise is that the precondition for such a Hong Kong cultural identity is the survival of the industry. Szeto and Chen (2012: 121) admit that other Asian national cinemas with bigger local audiences, like Japan and Korea, can still 'rely on the nationalization of cultural sensibilities to survive', Hong Kong has to contend with the compromises forced on it by the Chinese government as its small population 'forces it to make films of a wider appeal to survive'. It has to tailor its film to cater to not only SARFT but also to the cultural preferences and differences of mainland audiences. Although the CEPA V policy supports the development of pure local Hong Kong film, it cannot change the fact that it has become a niche taste and can't go back to a golden age. In addition, most studios and their talent have already moved to, or are based in, Beijing. From this point of view, we might see the decline of Hong Kong as a 'media capital' (Curtin 2003). However, to some extent, we could say that the Hong Kong film industry can still attract pan-Asian audiences and, further, global audiences, through joint ventures with China. It is hard to name a 'big Chinese blockbuster without Hong Kong people in significant roles' (Szeto and Chen 2012: 119) in the past ten years.

Before the mainland fully opened its market, especially the audio-visual market, Hong Kong was an irreplaceable destination for people trying to get into the Chinese market. Viewed from this perspective, Hong Kong as a media capital, or service centre, from Curtin's perspective, is still flourishing. But how long can it maintain its status? Along with the foreign investor comes easier access to the Chinese market. With an increasingly stronger

mainland film industry and more frequent cooperation with the US, Hong Kong is gradually losing its advantage. It is more likely to be incorporated into the larger Chinese film industry and grow with it to become a component of an audiovisual super power in the future.

The ten years after CEPA are recognised as the golden ten years of Hong Kong-China coproduction. In these ten years the mainland film industry grew rapidly from a just opened-up industry to a more mature commercial industry. This was due to substantial transfers of capital, especially human capital, knowledge and skills from Hong Kong. Although Hong Kong-China joint production has not always successfully promoted the Chinese film industry “going out” or increased China’s international cultural influence and soft power dramatically, it has laid the foundation for further collaboration with the US and thus future Chinese soft power enhancement.

Before 2000, Chinese films were known by the world through a few art films. Since *Crouching Tiger, Hidden Dragon* (*wohu canglong* 2000), Chinese commercial films have entered overseas markets through major film distribution companies. Moreover, those films have tended to be coproductions including Hong Kong partner. For example, *Hero* (*yingxiong* 2002), *House of Flying Daggers* (*shimian maifu* 2004), *Fearless* (*huoyuanjia* 2006), *Kung Fu Hustle* (*gongfu* 2004), *The Banquet* (*yeyan* 2006), *Curse of the Golden Flower* (*mancheng jindai huajinjia* 2006) were screened in major movie theatre chains in Europe and the United States. This helped some directors and actors attain world reputations, for instance Ang Lee (Li An), Zhang Yimou, Chen Kaige, John Woo, Feng Xiaogang, Wong Kar-wai, Stephen Chow, and Peter Chan, and artists such as Jet Li, Zhang Ziyi, Gong Li, Jackie Chan, Chow Yun-Fat, Andy Lau, and Chiu Wai. But the amount of Sino-Hong Kong joint productions which earned significant revenue or exercised influence in Western markets is still very limited. The exercise of soft power by Sino-Hong Kong joint production is less effective in comparison to the strong cult following created by pure Hong Kong film which is arguably a part of the cultural mainstream being widely available and imitated.

Ford (2007: 62) notes that the Hong Kong films were greatly affected by Hollywood and ‘connected with US history, culture and identity ... Hong Kong films exercise a form of “soft power” in their ability to cajole movie-going Americans into taking a look at themselves in a different light. As these films address American people, places, modes of exceptionalism, culture, and history, they offer important albeit often marginalised perspectives that merit closer and more sustained consideration’. This kind of soft power influence is exactly what

the Chinese government is seeking to attain. However, as Lee (2012: 192) suggests, if the goal of the Chinese film industry is to match Hollywood, it needs a more reliable production protocol, one that operates in accordance with international legal and commercial frameworks, free from artificial and policy reference. This call for a transparent film reviews mechanism, a sophisticated distribution network and a fair competitive environment implies deregulation. However, as discussed in Chapter One, deregulation is currently a very unlikely approach for the Chinese government to take.

As pointed out by Chan and Fung (2011: 86–87), structural hybridisation in audiovisual coproductions happens in production sites, space and capital and involves the crossing of boundaries at different levels, ranging from local, municipal and regional to the transnational and international. As they suggested: ‘these administrative levels are crisscrossed by functional networks of corporations, governmental organizations as well as professionals’. The key for the success of Hong Kong-China joint productions is securing appropriate functional networks among Hong Kong and mainland producers (Chan and Fung 2011: 86–87). However, this key element is what US and Australian partners have found hard to access and which they needed to build in the first steps in coproducing with China. These issues are addressed in the following chapters.

Chapter 6 China-US Coproduction

The interdependency of Hong Kong and the PRC, and their cultural proximity, have enabled China to progress its soft power ambitions through coproduction. In this chapter, I show that China's soft power strategies through film are tested to their limit in dealings with the US. Unlike the vast majority of countries in the world that coproduce film, the US has not entered into official coproductions; that is, it does not enter into any legal binding coproduction agreements or equal relationships with other producing nations. It does not need to. With that background in mind I will show that its relationship with China is complicated and challenging.

Many Chinese filmmakers see international coproduction as an opportunity to learn how to make films that will be released and widely seen outside China. This follows the learning model that China has used with foreign investment in the last thirty years. However, one of the fundamental arguments of this thesis is that the model of joint venturing with foreign investments that worked so well for China in its low-cost manufacturing strategy is very hard to replicate in film, which is one of the most advanced service industries in the world. It requires a deeper understanding of nuances, cultural complexity and entertainment values.

In this chapter, I present a history of the challenge for China in using film both as a learning model and to achieve soft power goals. Key to understanding this challenge is the idea of soft power competition as discussed in Chapter One, a term coined by the Singaporean scholar Chua Ben Huat (2012) to refer to the intense competition within East Asia for pop culture dominance, and to describe how East Asian countries are using pop culture exports to positively influence opinions and attitudes of transnational audiences. Chua's argument has turned Nye's original diplomatic concept into a regional index of pop culture success. Chua (2012) argues that pop culture engenders 'culture presence' which offers China a strategy to become more competitive. However, China's pop culture presence outside its borders is quite weak compared to other East Asian countries, and in particular compared to the U.S. This is well recognised now by many people in China.

The Chinese government has publicly stated its ambitions to use film coproductions as a way to enhance soft power capability through transfer of knowledge capital (skills and know-how). While Chinese filmmakers are learning how to work with US partners, the US is conceding

some ground to achieve its market ambitions. The key here is that Hollywood and the US need access to China's growing consumer market in order to continue their own growth. Michael Curtin (forthcoming) writes that several levels of complexity underpin how the China Film Group (CFG) operates to protect domestic players. In Chapter Two and Four, we discussed how, on one hand, American film companies are trying to partner with China to facilitate imports and distribution in China, while on the other, Hollywood is motivated to make joint productions work in China. We can understand the US's approach as trying to find the right key to unlock the doors of the Chinese market. I summarise the history of China-US coproduction in three stages: assisted, fake and real coproduction, although these three kinds of production overlap. This chapter will, first, examine Sino-US coproduction history before 2012, and then take a deeper look at the new trends and explore fake coproduction since 2012, with further analysis of the challenges existing in real coproduction.

6.1 Sino-US Coproduction History

The first movie studio in China was established by an American in Shanghai in 1909 (Ye 2003:13). In 1926, the American-Oriental Picture Company was founded to make films by utilising cheap Chinese labour, fascinating scenery and a history of drama for sale in China and US. However, production was shut down from 1927 due to the second Chinese civil war and the war against Fascism in China. According to Ye, at the time, Hollywood saw China as an export country (Ye 2003:13). After the People's Republic of China was established in 1949, intense hostility towards capitalist society lasted over two decades. In addition to ideological issues, the Chinese authorities insisted on a flat fee model rather than revenue sharing for international films to be distributed in China, which for a long time hampered Hollywood distribution in China. The Motion Picture Association of America (MPAA) reacted by refusing to distribute in China from the 1950s to the late 1980s; only some independent films were imported to China (Miller 2005:319-320). Miller and others (2015:319) take it as another tiresome example of 'the US tendency to walk away from any environment that it does not control, and engage in censorship by monopoly capital'. In contrast, currently we see the US trying different tactics. On 1 January 1979, China and the US officially opened diplomatic relationships. In the same year, the China Film Coproduction Corporation was set up (CFCC) to establish film trade relationships with other countries, to manage coproductions and to help with location filming in mainland China. From 1981 to the early 1990s, Sino-American coventures were almost all assisted productions, which meant

China only assisting American partners with the equipment, apparatus, sites and services in production without taking part in creativity and investment, as discussed in Chapter Three.

In 1981, China assisted Jack Ford, the son of former US president Gerald Ford, to produce a documentary *Wild Pandas* (*yesheng xionghao*) and then assisted Disney in shooting *China Miracle* (*zhongguo qiguan*). The actual nature of assistance in those days was unspecified in policy. In 1987, the first major Hollywood studio production, *Empire of the Sun* (*taiyang diguo* 1987), was shot in China by Steven Spielberg for Warner Bros with the assistance of Shanghai Film production studio and CFCC. The negotiation for this cooperation was based on a policy document introduced in 1985.¹³ A variety of forms of assistance were provided to the filmmakers. Not only were part of the streets of Shanghai blocked and 5000 extras provided, but soldiers from the Chinese army were supplied to play the Japanese soldiers. The assisted production format remained throughout the 1990s. In 1991 and 1992, Warner Bros. produced two small feature films with CFCC and Beijing Film Studio assistance: a family movie *The Amazing Panda Adventure* (*xionghao lixian ji* 1995) and a romantic drama film *M. Butterfly* (*mi hudie* 1993) (Miller 2005:149-151). From 1991 to 2000, the legal system for coproduction was further improved, as discussed in Chapter Three. In the early 1990s, the domestic box office dropped to a very low point; annual attendance dropped from 21 billion in 1982 to just under 4.5 billion in 1991 (Rosen 2003: 94). There are multiple reasons for this, such as low film productivity and the shortage of production capital from the mid-1980s, as well as the competition from commercial television programs. Su (2011: 188) believes that the post-1989¹⁴ environment and the large-scale production and distribution of government-sponsored propaganda movies failed to attract audiences and further worsened the situation. In 1994, the government opened up the film industry by allowing ten revenue sharing films to be imported in order to stimulate the film market. At the same time, it introduced rules to protect the domestic film industry and encourage international collaboration. Before *Crouching Tiger Hidden Dragon* (*wohu canglong* 2000) nearly all Sino-US productions were assisted coproductions. Sony Pictures Tristar became the first studio to discover the potential of the Chinese market and established Columbia Pictures Film Production Asia (Columbia Asia) in Hong Kong in 1998 as part of its long term localisation

¹³ 'Some provisions about strengthening coproduction and TV management from the Propaganda Department'

¹⁴ In 1989, the Tiananmen Square Protests happened. The year 1989 in China marked the defeat of a group of reformists in the Communist Party leadership and shattered widespread expectations of continuing broad liberalization.

strategy to produce Chinese film for global distribution, particularly considering Chinese and culturally proximate audiences (Welkos 1999 cited in Miller 2005:150). It coproduced *The Road Home* (*wo de fuqin muqin* 1999) with Beijing New Pictures and Guangxi Film studio, and cofinanced and coproduced *Crouching Tiger Hidden Dragon* (2000) with Huayi Brothers and Taihe Film Investment Co. as well with the UK's United China Vision. The international success of *Crouching Tiger Hidden Dragon* encouraged Columbia Asia to look for other Chinese partners.

After China joined the WTO in 2001, the threat of 'wolf (Hollywood) coming' reverberated within the Chinese film industry. 'Dancing with wolves' or 'protecting domestic film industry' has been heatedly debated by industry people and researchers. While the threat of cultural imperialism and calls for protection prevailed before 2000 (Zheng 1994:8; Yu 1995:1; Chen 1998), the mainstream tone began to change to 'dancing with wolves' after joining the WTO (Su 2011:102). The introduction and release of several sets of film regulations directly facilitated the transnational film corporations. According to Su (2011:197), 'there was an increasingly blurred boundary between "domestic films" and "foreign films"; a new term of "transnational cinema" is gradually emerging'. The concept of 'transnational cinema' and 'Greater China' cinema began to be used (Yin 2002/2004). Some use the word cooperation (cooperation within competition) to describe the nature of US-Sino production and predict that Chinawood will ultimately challenge Hollywood (Li 2006: 14-19). Kraus and Wan (2002: 49) describe Hollywood and China as adversaries and allies. After 2003, the cultural system reform, referring to the evolution of the cultural market, pushed the audio-visual industries further into the market and more private companies were allowed to enter into the film industry. More details were released about the legal system for coproduction. Later in 2007, the concept of soft power was borrowed by the Chinese government, as mentioned in Chapter One, to emphasise the significance of Chinese culture industries and to express the government's hope to enhance China's cultural influence and global presence. Industry commentators and scholars toed the policy line by advocating compromise and to yield to Hollywood producers to achieve more national benefit (Yin & Tang 2008).

The release of policy in the early 2000s, which allowed private companies to enter the film industry, led to more collaborations between US and Chinese private firms. American film scholar Stanley Rosen (2003: 98) observed that the 'Chinese national film industry is becoming increasingly transnational'. Columbia Asia hired director He Ping to become their

Chinese representative. After the success of *Crouching Tiger Hidden Dragon*, Columbia Asia chose Huayi Brothers to coproduce two projects. One was a black comedy directed by Feng Xiaogang entitled *Big Shot's Funeral* (*dawan* 2001). It had a budget of around US\$3.5 million and starred Canadian actor Donald Sutherland and Chinese leading man Ge You. Feng admitted that 'Columbia Tristar influenced some artistic decisions in an effort to crack the U.S and global markets' (cited in Rosen 2003:98). The film broke Chinese commercial box-office records by grossing over US \$4million in less than one month, yet Western audiences' unfamiliarity with comic depictions of modern China prevented it from taking off overseas. Another project, directed by He Ping, *Warriors of Heaven and Earth* (*tiandi yingxiong* 2003), with a budget of around US\$10 million, a much higher than average cost for a Chinese film, was a mix of epic, kung-fu, suspense and romance, that tried to appeal both Chinese and Western viewers but failed in both markets, probably because it was seen to imitate *Hero* (*yingxiong* 2002), but also because the outbreak of severe acute respiratory syndrome (SARS) at this time had a significant impact on cinema attendance.

From 1999 to 2004, Columbia Asia produced nine films with mainland Chinese and Hong Kong companies, covering a wide range of genres, including kung-fu, art, thriller and comedy. They were widely welcomed by the market, as these films respected local culture and taste, and considered commercial and artistic factors at the same time. Columbia Asia was the most active company in Sino-Foreign coventures during that time. *Big Shot's Funeral* was the first film to adopt the mode of global revenue sharing. Columbia Asia then produced *Double Vision* with Taiwanese partners in 2002, and produced *Warriors of Heaven and Earth*, *Cell Phone*, *Kung Fu Hustle* and *Kekexili: Mountain Patrol* with mainland Chinese and Hong Kong partners in 2003 and 2004. All of the productions with mainland China and Hong Kong reached the top of the box office, except for the art film *Kekexili: Mountain Patrol* (Zhan 2012).

Sony Pictures Tristar, through its subsidiary Columbia Asia, was not the only multinational media conglomerate working in China. Universal Studio also coproduced *Pavilion of Women* (*tingyuan lide nvren* 2001), directed by Ho Yim, starring Willem Dafoe (US) and Luo Yam (China). The Beijing Film Studio. Warner Bros. also coproduced ten 90 minute made-for-TV films entitled *Swordsmen of the Passes* (*guanzhong dao ke zhi qicunzi* 2001) with a Chinese film company affiliated to the China Film Group and Salon Films of Hong Kong (Miller 2005: 183–184).

When *Big Shot's Funeral* made thirty-eight million RMB (around \$6million) at the domestic box office, it indicated that Sino-US productions might enter a new era by applying a model the CEO of Huayi Brothers Wang Zhongjun called “packaging”, under which several films were produced as a package. The cooperation led many China filmmakers to realise that film coproduction improves not only the local film quality but also increases revenue. In fact, before the production of *Kung Fu Hustle* (*gongfu* 2004), both sides had already obtained promising results. For example, Huayi solved the problems related to the scale of the film and the management of several films running at the same time. Columbia Asia had a better understanding of the growing Chinese film market, as well as how to make money in an overseas market by using Chinese elements, through Huayi Brothers, who knew the Chinese market very well (Weng 2012). However, the story did not have a happy ending. After four years of cooperation, the relationship ended. The reason being that the DVD copyright of He Ping's *Warriors of Heaven and Earth* was sold ahead of schedule and thus greatly affecting its box office. For the US partner, their understanding about the market was based on mutual trust. The Chinese company's behavior undermined the foundation of the cooperation. The problem of budget management worsened the relationship and, finally, it resulted in the failure of the cooperation.

Compared with Sino-US collaboration in the 1990s, coventures in the first 10 years of the 21st century were characterised by more involvement in funding and talent from the Chinese side. During this period, Beijing New Pictures, which relied on Zhang Yimou, produced films such as *Hero*, *House of Flying Daggers* and *Curse of the Golden Flower*. The company utilised the distribution channel developed by Jiang Zhijiang, who is a film producer most famous for coproducing the *wuxia* film *Crouching Tiger, Hidden Dragon* in the U.S and who cooperated with American partners in a model which dealt with each film as a separate unit rather than the packaging model adopted by Huayi and Columbia Asia (Weng 2012). *Hero*, the first commercial blockbuster in the Chinese film industry, became a flagship of that era. Miramax marketed *Hero* as a second *Crouching Tiger* (Rosen 2003: 96). In addition, some state owned film companies, such as China Film Group and Shanghai Film Group, were actively exploring the opportunities of Sino-US coventures. Films like *Red Cliff*, *Lust Caution*, *The Karate Kid*, *Fearless* and *Kung Fu Hustle* were successful at the box office. Although disagreements still exist in many areas of the China-US relationship, accumulated experience has established a good foundation for future collaborations.

In August, 2005, a new policy document from the Ministry of Culture, State Administration of Radio, Film and Television, General Administration of Press and Publication, National Development and Reform Commission and the Ministry of Commerce called *Several Opinions on Canvassing Foreign Investment into the Cultural Sector* (*guanyu wenhua lingyu yinjin waizi de ruogan yijian*) defined the areas in the cultural industries in which foreign capital investment was permitted. It forbid foreign capital engaging in film and television. This policy considerably suppressed the increase of coproductions with foreign countries. Even though Columbia Asia was developing very quickly at that time, all their business in China stopped, as the future was not clear. After 2005, independent film companies became more involved in coventures with China, after big Hollywood companies retreated from the Chinese market. Representative films include *The Promise* (*wuji* 2005) from Moon Rock Entertainment, *The Painted Veil* (*miansha* 2006) from Luxious Veil Production, *Lust, Caution* (*se.jie* 2007) from Mr Yi Film Production and *Blood Brothers* (*jianghu* 2004) from Lion Mountain Production. The average production each year was about four to six films between 2005–2007 (Zhan 2012).

Major Hollywood companies gradually returned to the Chinese market after several years' observation. Columbia Asia joined in the production of *CJ7* (*changjiang 7hao* 2008) and *Jump* (*tiao chuqu* 2009). *The Karate Kid* (*gongfu zhimeng* 2010), coproduced by Columbia Asia and China Film Group Corporation, was a huge success, especially in the US, with a box office take of US\$360 million. The box office for *The Mummy: Tomb of the Dragon Emperor*, made by Universal Studios and Shanghai Film Group Corporation, then achieved US\$400 million. On the other hand, *Touch of the Panda* (*xiongmao huijia lu* 2009) and *Disney High School Musical: China* (*gewu qingchun* 2010), produced with Disney, had an average performance in the market. *Love In Space* (*quanchiu relian* 2010), *Hot Summer Days* (*quancheng relian* 2011), and *The Butcher, the Chef, and the Swordsman* (*daojianxiao* 2011), which were funded by Fox International Productions and produced in mainland China, had much smaller marketing budget compared to those blockbusters but were still popular in China. Some independent companies, such as Lion Mountain Production and Casey Silver Productions, also achieved some success with coventure films, such as *Red Cliff* (2008) and *The Forbidden Kingdom* (2008). In addition, the China Media Fund, a subsidiary company of the American International Data Group (IDG), invested in such films as *Hutong Days* (*hutongli de yangguang* 2007), *Examination 1997* (*gaokao 1997* 2009), *Under the Hawthorn Tree* (*shanzha shu zhilian* 2010), *Future X-Cops* (*weilai jingcha* 2010) and *Snow Flower and*

the Secret Fan (xuehua mishan 2011). The number of annual productions remained between five and seven between 2008–2011 (Zhan 2012).

All in all, Sino-US collaboration developed slowly from 2002 to 2012 as a result of various policy restrictions. Films that were mainly, or partially, invested in by US companies, but produced by Chinese companies, usually focused on the Chinese market. The production of other films that were successful overseas, such as *The Karate Kid* and *The Mummy: Tomb of the Dragon Emperor*, were dominated by American companies, while Chinese companies only invested and assisted the production by sharing the copyright in China. Although the quantity of Sino-US coventures was very small in those years, they had already made giant leaps compared to the years before the film industrialisation reform. Also, the types of film became more diverse. Drama and action were dominant in quantity (40.5 per cent and 35.7 per cent respectively). Romance contributed 9.5 per cent. Comedy, cartoon, thriller and musical altogether account for 14.3 per cent of the total (Zhan 2012). Although drama films represented the largest portion, action films like *The Karate Kid*, *The Mummy: Tomb of the Dragon Emperor*, *Red Cliff* were more successful at the box office.

The signing of the Sino-US MOU in 2012 as mentioned in Chapter Two, saw the Chinese government make the following concessions: China would permit fourteen premium format films (IMAX, 3D) to be exempt from the twenty film import quota, which remained in place; the box office share US studios could earn under the master contract increased to twenty-five per cent from thirteen per cent. This further softening of policy greatly encouraged U.S filmmakers. By this time, box office revenue in China had surpassed Japan, making it the second biggest market in the world. Hollywood realised that film screens were increasing and it was time to enter the Chinese market. In the same year the huge success of *Avatar* (RMB 1.32 billion), *Transformer 3D* and *Titanic 3D* in the Chinese market surprised Hollywood. Additionally, the policy for Sino-Foreign film joint venture was relaxed further, which provided hope for Hollywood companies wanting to enter the Chinese market. The establishment of Oriental DreamWorks in Shanghai, Cameron-Pace Group China headquarter in Tianjin, and News Corp's shares in Bona Film, showed that Sino-US collaboration was entering a new stage. The door was beginning to open.

However, it was far from completely unlocked. Collaboration with China was a way to get around the quota. Adding some Chinese elements was a means to pass the government's review, if not to appease the China Film Group and have the film included in the quota. This

was a different key. In 2012, more blockbusters started to add Chinese elements and announce themselves as coproduction films. They began to “stick on” Chinese elements and recast roles in films such as *Looper*, *The Expendables 2* and *Iron Man 3* which led to the phenomenon of fake coproduction, as will be discussed below.

From China’s perspective, Zhou Tiedong (2012), the ex-manager of China Film Promotion International (CFPI), believed China’s overseas film market had almost been supported by coproduction films, especially coventures with the American big players. The strong distribution system and marketing channels of Hollywood assisted in the market success of *Mummy 3* and *the Karate Kid*. In 2010, 47 films, including 46 coproductions, were exported and the total revenue reached a peak of RMB 3.517 billion; however, the bulk of this revenue was earned by one feature film. *The Karate Kid* earned RMB 2.4 billion outside China. In 2011, 52 films, including 50 coproductions, were exported. Without a blockbuster collaboration with Hollywood, export revenue declined to RMB 2.024 billion. China clearly needed Hollywood. For China, working with the most successful film producing country in the world definitely offers a chance to upgrade its film industry, promote its films going out into the world and to enhance its cultural influence, thus to achieve its soft power ambitions.

Zhang Xun (2013), the ex-manager of CFCC, also stated that more and more films emphasise collaboration from the beginning to the end, in the last two years, which means Chinese partners took part in the project from script development to distribution. This model is an advantage for the integration of different production styles and the promotion of Chinese culture. US filmmakers are trying to use the coproduction key to open the Chinese market, while China is attempting to use this key to open the global market. However, the huge differences in film industry markets, business culture and language still pose great challenges for the Western film giant and Eastern rising power to collaborate successfully. Joe Aguilar from Oriental Dreamworks said at the 2014 17th Shanghai International Film Festival that it would take a long time for Hollywood and China to get on the same page.

While there has been a great deal of discussion about Hollywood-China collaboration since 2012, ‘real’ US-China coproductions have been rare. The following section will discuss the challenges and the heated debates on the subject since 2012, including references to *The Cursed Piano* (*mozhou gangqing*) by Shanghai Film Group Corporation, *Looper* (*huangxing shizhe* 2012) and *Iron Man 3* (*gangtie xia3* 2013) by DMG, *Wolf Totem* (*langtu teng* 2015) and *Man of Tai Chi* (*taiji xia* 2013) by China Film Group Corporation, *Cloud Atlas* (*yuntu*

2012) by Dreams of the Dragon pictures, *The Expendables 2* (*gansi dui2* 2012) by Le Vision Pictures, and *Annihilator* (*chaoneng xia forthcoming*) by China National Film Capital. Most of these films had been released at the time of writing, but some were still in the production process.

6.2 Fake coproductions?

DMG CEO Dan Mintz said, ‘there are many obstacles to overcome for Sino-US coproduction. The process of Sino-US coproduction is tough for Chinese film makers. The contradiction of interest and culture cannot be avoided’ (cited in Yang 2012:38). Some of the challenges discussed below are common in other cases of international coproductions, but some are unique to the Sino-US case. Before going into the details, I will firstly look at how the phenomenon of fake coproduction happened.

Although, revenue sharing had been raised to twenty-five per cent for imported films due to the MOU, ticket receipts for approved joint productions is forty-three per cent, and circumventing the quota remained attractive. Xu Yuan, the associate editor of Mtime.com, who has interviewed many experienced professionals in coproduction, divided Sino-US collaborations into two types: ‘fake’ coproduction and ‘real’ coproduction. The first one is pure Hollywood, but with some Chinese investment. This type of production incorporates some Chinese elements, or actors/actresses, in order to meet the requirements of government rules. The second type is more like a Chinese film, but directly utilises the personnel, filming techniques and marketing of Hollywood, particularly special effects technology and the experience in the development of film related products. Xu believes that the first type of coventure is not good for China from the perspective of cultural protection. The motivation is to be certified as a domestic film in order to avoid the import quota and enjoy a higher portion of revenue sharing. ‘This is actually a kind of trade dumping’, according to Xu (cited in Yang 2012:41). But, from the business point of view, Ji Erwei, an experienced filmmaker who frequently travels between Hollywood and mainland China, believes that it is not a bad idea for China to act as an investor. As long as the film makes money, it doesn’t matter who plays the leading role. He further argues that it is good to include Chinese elements in the film production, but it is unnecessary to emphasise it too much. Although the films made by Americans represent American values, most blockbusters promote universal values. On the other hand, Ji Erwei had to admit that the stories of *Cloud Atlas* and *Iron Man 3* have nothing to do with China. Some of the scenes were shot in China, but this was only to meet the

regulations rather than demonstrating Chinese culture. He also supports the proposal that the government add more requirements for these types of films, otherwise it is unfair for domestic films, since coproduced films could easily escape restrictions by simply adding some Chinese elements (cited in Yang 2012:41).

In 2012, more blockbusters announced themselves as joint productions. They included some Chinese elements and recast roles in order to achieve market success. Typical examples are *Looper*, *The Expendables 2* and *Iron Man 3*. Dan Mintz, the CEO of the DMG China, who can speak fluent Mandarin and who is recognised as ‘Hollywood’s Mr China’, brought two blockbusters, *Looper* and *Iron Man 3* to China (Montlake 2012). In *Looper*, a time-travel thriller from Endgame Entertainment, many scenarios were originally set in Paris, but were changed to Shanghai after DMG invested in the film. As well as some shooting in Shanghai, a well-known Chinese actress, Xu Qing, was invited to act as the wife of the hero, Joe (Bruce Willis); although she only had several minutes of scenes script and few lines, the producers argued the role of Xu Qing was very important to the whole film. *Looper*’s director Rian Johnson’s time-travel epic had two versions, with the Chinese cut including a much longer montage of Joseph Gordon-Levitt’s time in Shanghai. Compared to *Looper*, the Chinese elements in *Iron Man 3* (coproduced by DMG and Marvel Pictures) were even more contrived and insubstantial. *Iron Man 3* was split into two different versions. One was for Chinese audiences, with Chinese characters Wang Xueqi and Fan Bingbing as well as Chinese sequences. The official international version did not contain these sequences. Even in the Chinese version, Wang’s role seems very unnecessary and was described by microbloggers on *weibo* (China’s twitter) as ‘the walk-on of all walk-ons’. In the international version, Wang appeared for only ten seconds in the opening scene, plus a fleeting glimpse towards the end of the film where his face can not be seen clearly. Wang is a very respected and experienced actor in China. He told *Hollywood Reporter* that his character was described as a major figure and the role as very challenging when he was persuaded to accept the role (Brooks 2013). Fan Bingbing only appeared in the Chinese version.

This result was not what DMG CEO Dan Mintz intended, according to Montlake (2012). Mintz was ‘betting on getting lucrative distribution rights in China to *Iron Man 3* and using it as a calling card to court other studios circling China’ (Montlake 2012). Although the film producers required some scenes to be shot in China, the director, Shane Black, said that neither he nor any of the film stars would visit China. ‘Basically we are setting aspects of the

film in China, but we won't be filming in China' (Montlake 2012). Mintz tried very hard to use his Chinese networks (*guanxi*) to balance the government requirements and Hollywood's insistence. He intended to make the Chinese element fit into the Hollywood style blockbuster, and appreciated by the whole world (Mintz 2012 cited in Brzeski 2012). The film was not appreciated by the Chinese government and also prompted condemnation from bloggers and critics in China for the two versions and for 'not containing enough bespoke Chinese content' (Brooks 2013). Media suspicion abounded in anticipation of whether this film would be approved as a domestic film for screening. It was reported that the film was registered as a joint production for shooting, but failed to acquire the official approval for screening. According to the Manager of CFCC, Miao Xiaotian (interview July 2014), it was actually registered as an assisted production at the very beginning. Associate Manager of CFCC, Xu, said that she received many calls and emails asking about the real status of these films (Xu 2014 interviewed July 2014). We do not know what happened then. There is a possibility that the film was registered as a joint production, but SARFT cancelled its qualification after seeing that the final work was not the same as what had been approved.

In the wake of the perception that Hollywood might be cynically taking advantage of the booming market, the coproduction film review policy was tightened. Zhang Pimin, the deputy director of SARFT, announced at a CCTV Movie Channel Workshop in August 2012 that coproductions would be reviewed strictly to see if they were 'real' or 'fake' (Zhang 2012; Tsui 2013a; Coonan 2013). He especially mentioned *Iron Man 3* and *Looper* as examples, and said that 'Some so-called coproduction movies just make superficial changes, with little investment from China and use very few Chinese elements, and call themselves coproductions. These coproductions get around the quota system, and take domestic investment away and threaten Chinese indigenous movies' (Zhang 2012, Goldstein 2012)

Iron Man 3 and *Looper* tested the regulations by adding superficial Chinese content. The Chinese government responded by tightening film policy in 2012. But sensing a gold rush, Hollywood continued to try to make China an integral part of a movie's storyline in order to qualify as a joint production, not just to increase its appeal to Chinese audiences, but also to garner favour with the China Film Group (CFG), which controls the import of foreign titles, to pass the review of the CFCC and ultimately to be certified as a domestic film thus allowing the filmmakers to receive a larger share of the film's revenue in China. Examples include *The Amazing Spider-Man 2*, *X-Men: Days of Future Past* (2014), *Godzilla* (2014) as well as

Transformers 4 (2014). *Transformers 4* built a box office milestone; it was the first film to exceed \$300m in box office revenue in China, a figure that was even higher than the film's earnings in North America (McClintock 2014). It is easy to see how hard Michael Bay's *Transformers: Age of Extinction* tried to feature a China-inflected story and to add Chinese elements in order to meet the standard of joint production. A joint venture between Paramount Pictures, the state-owned China Movie Channel¹⁵ (CMC) and its distribution partner Jiaflix Entertainment was established. Paramount connected with CCTV through Sid Ganis, former president of the Academy of Motion Picture Arts & Sciences, who now serves as chairman of Jiaflix, which helps export Chinese films to overseas territories and manages the production of films in China. As Curtin, Jacks and Li (2015 forthcoming) observe: 'CCTV provided Paramount with an influential partner at the epicenter of the country's media infrastructure. Announcing their collaboration in April 2013, they pegged the film's release for on or about 27 June 2014, which was unusual compared to most studios, which were struggling to predict release dates even six weeks prior to their PRC premieres'. Hollywood has stepped up its efforts since *Iron Man 3* partnering with private film production and distribution company DMG, to land such partnerships as a way to circumvent China's quota system, discussed in Chapter Four. However, the ambition of *Transformers 4* is bigger than just securing a place on the import quota. As senior editor of *Variety* Graser (April 2013) reported: 'Studio can file for official coproduction status, granted by the Chinese government, at a later time'.

Chinese actors (such as Li Bingbing) are used not just in walk-on roles any more, though they are still not main actors. Many more action sequences (more than half an hour) in *Transformers 4* were set in Hong Kong and mainland China and feature national landmarks such as the Great Wall. The heavily featured Chinese product placement throughout the film is obvious, for example, Stanley Tucci's character drinking a popular Chinese brand of milk – Yili, Mark Wahlberg's character using a China Construction Bank ATM – in Texas. The film's star, Mark Wahlberg, and director, Michael Bay, stayed in China for shooting. Unlike *Iron Man 3*, it only has one version. Although the film has been criticised by media and scholars for 'its numerous Chinese product placements, generously featured Chinese landmarks, cameos by Chinese pop stars, as well as what is perceived to be a pro-Chinese-

¹⁵ China Movie Channel [also known as CCTV-6] is under CCTV, a state owned media giant under the umbrella of SARFT

government message' (Zhu 2014), it can also be recognised as further testing of the waters by Hollywood. *Transformers 4* was released as an imported film due to still having insufficient Chinese elements. We can see that Hollywood studios are 'flipping through their Rolodexes to call up anyone they know in the territory' (Graser 2013), and have tried different keys to open the market.

There is no doubt that China is a big part of the future of movies and the Chinese market is very important. However, no matter how important it is, it will be difficult for Hollywood to change its one hundred year model to suit the Chinese market. *Transformers 4* illustrates 'the delicate balancing game of Hollywood studios trying to work out what the Chinese market wants while simultaneously catering to Americans' (Watt 2014). 'If such films aren't handled properly, they risk alienating both audiences', said Keane (cited in Watt 2014). The fake coproduction can be seen as a template in this transition stage. This template of inserting China into existing Hollywood blockbusters has mostly seen success at the Chinese box office, although the films failed to achieve real coproduction status. To gain 'real coproduction' (ie. Joint production) status, positive Chinese elements, a significant Chinese cast presence and enough proportion of Chinese investment, are required. In this regard, China is using its market power to induce Hollywood's cooperation, and using Hollywood's global reach to 'transmit favourable narratives and images about China to the western (and westernised) world' (Homewood 2014).

Zhu (2014) argues that *Transformers 4* has scored big for the US and, ultimately, sells American dreams rather than Chinese in the fight for soft power. This is obviously true, but the Chinese government's intention to take knowledge capital from Hollywood to improve its soft power globally is beginning to pay some dividends. The development of Chinese international soft power in this field will be a long march; these may be merely the first steps. The question is, how far can Hollywood go on the prototype of East-West hybrids? Media reports that *Avatar 2* may become a real coproduction. According to one commentator, China's leadership is 'still in the model of centralized and unopposed government control, [and] is in a unique position to tell Hollywood bigwigs what to do by using money' (Grady Smith cited in Turney 2013:46).

However, if all the criteria for joint production announced by the government in 2012 are satisfied, with Chinese parties taking leading roles in investment and cast, if the *Transformers 5* and *Iron Man 4* are full of Chinese, will they still appeal to global audiences? After decades,

will Hollywood-China hybrids end up like those of China-Hong Kong, that the audiences won't be able to tell if a film is a Hollywood blockbuster, a Chinawood blockbuster or a Hollywood-China blockbuster? Or perhaps Hollywood might integrate too much Chinese content and gradually lose its global audience in other countries, and even Chinese audiences too, because it is no longer pure Hollywood blockbuster. Perhaps audiences will gradually get used to the East-West hybrids, and focus more on the film itself rather than the face colour, or China may further loosen the quota and Hollywood will just give up trying to achieve joint production status. This section raises a lot of questions. The following will look at challenges for the real coproduction model.

6.3 The hurdles of real coproduction

After 2012, there have been many projects pitched as real coproductions which mean those projects involving sufficient Chinese investment and cast required by the SARFT, and a deep cooperation from the script development to the end. Most of them are still in progress while others have failed at the box office. Keanu Reeves directorial debut, *Man of Tai Chi (taiji xia)* 2013), coproduced by the state-backed China Film Group, Wanda Group and Village Roadshow Pictures, was released in 2013 and only grossed about 23 million RMB in China and US\$100,000 at the North American box office. The investors lost 140 million RMB (Shi 2013). It involved a Hollywood A-lister making a film mostly shot in China with a Chinese actor (Tiger Chen) in the lead role. China Film Group had high hopes for the film, which was seen as a step forward for international collaboration in China (Tsui 2013b).

The Cursed Piano, is a forthcoming real coproduction, by Shanghai Film Group and Mike Medavoy. Mike Medavoy delivered a joint production *Diehai Fengyun (shanghai)* 2010) in 2010, starring John Cusack and Gong Li, but it lost about US\$ 45 million. *The Cursed Piano* tells a romantic story about a Jewish pianist and a Shanghai woman during the Second World War. Zhonglun Ren, the Chairman of the Shanghai Film Group Corporation said:

[E]ven if *The Cursed Piano* was directed by Barry Levinson, no one can deny that it is still a Chinese film. The American team contributed with their material, director and market analysis. But we were leading the story. The Shanghai Film Group used to participate the production of Hollywood blockbuster *Empire of the Sun*, the Chinese side at that time was only responsible for labor service such as providing filming location and organizing extras. I still remember that the Bund was closed for over one

month because of the film, and over 1300 air conditioners were taken away from the façade of the building. These services are impossible today. (cited in Yang 2012: 41)

Ren's memory can tell us how much China is in need of cooperation with Hollywood at that time. The Shanghai Film Group Corporation started to take part in the discussion of the script at the start of production of *The White Countess* (*bojue furen* 2005). Chinese actors/actresses and technicians with good communication ability with foreigners joined the production. SMG also invested in the film and attended to the copyright. In 2007, Shanghai Film Group Corporation joined the production of *The Mummy - Tomb of the Dragon Emperor*. Ren said, 'Although *Mummy 3* is counted as a joint production, in reality it is still assisted production. An overseas company provided the script, and shot some scenes in China. We were only assisting them without playing active role in the collaboration (cited in Yang 2012:41)'. Things have changed in the production of *The Cursed Piano*. The Shanghai Film Group Corporation took a leadership role in the preparation of the film, creation of the script, selection of the actors/actresses, production and distribution. (Yang 2012:41) The production of *The Cursed Piano* was announced at the 2011 Shanghai International Film Festival. Three years have passed and it is still in process, while all the fake coproductions have been released.

Real coproductions possess genuine and legitimate differences in business practices, in modes of storytelling, in culture, certainly in language. Bringing together two different ways of storytelling is another level of complexity. All these differences obstruct China-US real coproduction, not to mention censorship and piracy problems. The following section will further look at these obstructions.

6.3.1 Just language differences?

Language differences are easy to recognise but are always underestimated in how much of a challenge they pose for film production. Misunderstandings arise due to translation, and the differences can raise questions about whether the film should be filmed in English or in Mandarin. Jianxin Huang, one of the fifth generation of Chinese directors, refused to produce a Chinese story in English. He believed that there would be cultural conflict. However, American audiences do not appreciate the film fully if it is made in Mandarin. Feng Xiaogang, one of the leading directors in China, said, 'Our films speak Mandarin which is the mainstream culture in China, but not in the whole world. Most of the audiences in the world

are used to English films. Moreover, American audiences do not like watching the subtitles in a film. That is why it is hard for our films to go out. We are dancing with shackles' (Tang 2012:58).

At the fifteenth Shanghai International Film Festival in 2012, National Film Capital announced that they would invest US\$200 million in ten films. Each film would have a maximum investment limit of US\$50 million. For example, *The Annihilator* (*chaoneng xia*, forthcoming) would be characterised as a Chinese story with Hollywood script and director, English dialogue, and global sourcing and distribution. *The Annihilator* has a typical Chinese appearance; the main character not only has the superpower to save the world, but also demonstrates the kindness and wisdom of the Chinese people to the world. Wang Guowei, the CEO of the National Film Capital, said, 'As 80% of our audience speaks English, why not choose English as the first language for this film. We are used to watching English films, however, if the film is translated directly from the Chinese, it will be difficult for people from other countries to understand' (cited in Yang 2012:46). Wang Zhonglei, the CEO of Huayi Brothers shared the same opinion, "We are more willing to utilize the Hollywood's standard system for the film's production. In order to be accepted by wider market, we have to use English for the film. However, I hope that the core value and story from the film is still Chinese. This is our dream' (cited in Yang 2012:46). It is hard to tell whether a Chinese *Annihilator* will be appreciated by the world like Spiderman or Iron Man.

Actually, the choice of language for film directly reflects the film's target market. Ellen R. Eliasoph, the CEO of Village Roadshow Entertainment Group, believes that, 'It is unrealistic to produce a film loved by everyone. Chinese directors should focus more on telling a good story and directing a good film, rather than meeting the taste for everyone' (cited in Yang 2012:46). Terence Chang agrees with Eliasoph: 'You can only concentrate on one market. It is not a wise idea to make compromises for audiences from different countries in the coproduction. If it is a film for the American market, then make it more American, and vice versa' (cited in Yang 2012:46). Jean Jacques Annaud, a famous French director with much coproduction experience proposed a solution for the language conflict in Sino-US films: 'There should be an English edition for a Chinese film if it wants to succeed in the United States. However, for a Chinese story, there should be a reasonable explanation if the Chinese characters speak English in the film'. Like Annaud's opinion about *Wolf Totem* (*lang tuteng*, 2015), he said, 'My thought is to tell a story that happened in the Inner Mongolia, North of

China. Of course, I shall use Chinese actors/actresses for this Chinese story. This film is made mainly for Chinese audience' (Yang 2012:46).

6.3.2 Cultural differences are everywhere

As Chu (2014) has shown, cultural differences can lead to different expectations among audiences. Traditionally, historical dramas on film and television have been most popular in China, while more American films are set in the present. The different literary traditions give rise to differences in storytelling between the two cultures. Americans mostly use the Western European form of storytelling, with an emphasis on conflict. Generally, the main character attempts to reach a goal but is confronted with opposition. A series of clashes is refined into a three-act or five-act structure. The story may sometimes express moral lessons. In China, storytelling is heavily affected by the ethical and philosophical system of Confucianism, with an emphasis on moral lessons delivered in subtle or obvious ways that can be learned from the story (Nemschoff and Yu: 2014). Neither way is better, but finding common ground between the two traditions is not easy. The conflicts usually appear in the codevelopment script stage. A Sino-US war film with the working title *Moon Flower of Flying Tigers* (*feihu yueliang hua*) is set to be produced by *Mission: Impossible* producer Paula Wagner and President of Desen International Media International Media, Ann An. The film is a love story between a Chinese nurse and an American pilot in the Second World War in China's Yunnan province. Ann bought the adaptation rights to the original novel in 2009. She hired five Chinese screenwriters to produce the script, but they had difficulties in describing American style of speech, behaviour and emotion. She then looked for cooperation with Hollywood, and found the Oscar-nominated screenwriter Naomi Foner (*Running on Empty*) to work on the project. 'When Foner finished her writing, I still needed Chinese screenwriters to edit it, especially for those parts related to China' (Frater 2014).

Business culture

The business cultures of the two sides are also very different. Chinese are used to developing 'guanxi' (relationship) and 'shengyi' (business) by drinking and eating. Americans may need to sit down with lawyers. In terms of deal-making, Chinese often send subordinates to negotiate before the executives sign the contract. This can create conflict as the American parties may not understand the Chinese style. For example, one Chinese production company proposed to provide most of the financing for a project raised by an established American

independent production company. A young bilingual female employee was sent to negotiate the first step. The employee arranged for her superiors to come to Los Angeles to meet the American partners, sign the contract and have a celebratory meal. The Americans thought that they were now finally meeting up with the head of the Chinese company to start the real negotiations, and began the meal by saying they would renegotiate the previously agreed provisions. The film was never made (Nemschoff and Yu: 2014:12). As Dan Harris and Robert Cain (2012a) point out in their law blog, the contract styles in both countries are very different. 'Chinese companies are uncomfortable with well-written complete contracts that tie them down on most or all key issues. They generally prefer vague contractual commitments that allow for constant re-negotiating and clarifying of deal points as the transaction progresses.' This is what exactly what the foreign side attempts to prevent (Cain 2012a).

The challenge for project negotiation can also be demonstrated by the *Cloud Atlas* case. At the beginning of 2011, the president of the Dreams of the Dragon Pictures, Qiu Huashun, met the producer of *Titanic*. He was introduced to a project that required 180 million RMB in finance. Qiu did not have a great deal of experience with projects of this size. His lack of experience meant that Qiu had to be very cautious at every step. The negotiation began with the basic elements of the contract. Seven lawyers were hired. 'Our company has a copyright lawyer and a concept lawyer. At the beginning, we used Chinese to discuss the framework by email and telephone. When entered into critical stage of the negotiation, the English copyright was used. I had to hire two lawyers from Britain, who charged 1000 and 600 US dollar per hour respectively, since the lawyers at my company do not speak English. The tough negotiation lasts for half a year. Even so, the contract still forgot to clear the time of payment which resulted in the later financial problems of that film making' (Yang 2012: 42-43).

6.3.3 Film system differences

Hollywood has developed a comprehensive industrial system over the past hundred years, and this system is supported by a well-developed legal, financial and accounting system. In comparison, China's system or the infrastructure for making films is still in a relatively early stage. 'There are fundamental differences for China and US film system. We need to make these two systems compatible for Sino-US collaboration' Zhang Zhao (2012), the CEO of Le Vision Pictures said.

The completion guarantor for film production as applied in the US, Europe and Australia is not used in China due to its underdeveloped film mechanism, as was discussed in Chapter Four. The accounting systems used in US and Europe do not apply in China, which has its own accounting laws and regulations. Even in production management there are differences. For example, Chinese crews are used to working twenty-four hours continuously, or even longer, in order to catch up with a schedule. However, some American crew have the right to work only for eight hours per day, and this is protected by labour laws. As a result, the freedom of the director decreases and the cost of the film increases significantly, which results in discontent for the producer. If these problems are not solved properly, conflict will surely follow.

Conflict can also be seen in copyright division and revenue sharing. The big studios are cautious about copyright. Even if the Chinese side has funded the film, copyright of the work is not shared, which leads to discontent from the Chinese partner. In early times, the copyright of *Crouching Tiger, Hidden Dragon* and *Warriors of Heaven and Earth*, belonged to Hollywood, although Chinese partners invested funds and labour. 'Even if we take up 30-40 per cent of the total investment, we are only qualified to share revenue other than the copyright. This is actually very unfair. Chinese films belong to America' (Huang cited in Tang 2012:61). Huang Jianxin, ex-president of the China Film Directors Association said, 'America knows that it is unfair by law. Our business should be protected by the law in China, which defines that each investor enjoys corresponding copyright and the right of sharing revenue. If there is no such regulation for both sides, then a supplementary agreement should be proposed based on international conventions. We must consider this for long term cooperation' (cited in Tang 2012:61). In recent years as for *Cloud Atlas*, Dreams of Dragon Pictures spent 3 million USD for the rights to distribute in mainland China, and 5 million USD on the 9.3 per cent global market share for fifteen years. But, it also meant that they could not get any benefit from the copyright after fifteen years. Zhao Zhang, whose company had a ten per cent investment input and took part in the production of *The Expendables 2* (*Gansi Dui 2*, 2012), has a deeper understanding about China's difficulty in obtaining copyright. He said, 'It does not necessarily mean that the copyright belongs to you if you developed the script, since the image of characters and concepts are developed by others. China has many good film themes which can be developed as intellectual properties'. The copyright issue is a reflection of relative power. In the early 2000s, China's film industry was much less able to compete for copyright. In contrast, as a leading entertainment lawyer,

Wang, says, ‘in terms of the Sino-US production he is involved in now, the Chinese side basically all have the copyright of the coproduced or cofinanced films’ (Wang 2014).

Another issue is differences in practices of revenue sharing. Sino-US productions have adopted regional revenue sharing as their way of doing business. This means that the Chinese party will receive revenue from the Chinese market and foreigners will take revenue from the overseas market. He Ping, ex-consultant and producer of Columbia Pictures Film Production Asia, established coventures with Huayi Brothers for several films. He said, ‘Chinese investors prefer the regional sharing way rather than to do global sharing with America. The reason is that the profit obtained by Chinese investors by global sharing is very low, sometimes only 10 to 20 thousands USD. American distributors would give you a big bill and then charge their agency fee, so the rest of the revenue was only a little’ (He cited in Tang 2012: 65). He also pointed out the unfairness about the agency fee, ‘We only charge about 10-15 per cent for the agency fee, but the Big Six charge about 25 per cent. The cost for them including traveling, salary etc. is quite high’ (He cited in Tang 2012: 66). He Ping also gave another example. When China invests 20 million RMB for a coproduction and sets eight years as the settlement period, the cost of capital is very high. Therefore, He suggested that Chinese investors should consider carefully before cooperating with Hollywood.

The revenue sharing model adopted by *The Expendables 2* was also that of region sharing. According to Zhao Zhang, the CEO of Le Vision Pictures, he was not confident enough to accept a global revenue sharing plan. First, the financial cost for the global revenue sharing was too high and could even exceed the film’s projected revenue. Second, many Chinese film companies have accounting fraud problems, which may result in lawsuits if they are involved in global revenue sharing. The Chinese system is not prepared for international rules in terms of accounting and legal issues. Hollywood can do business globally because it has vast experience in controlling the rules of the game and most of the world uses the US dollar as its payment currency. Their legal and financial system is well developed and they have rich experience in coproduction with regions. It will take decades for China to develop such a mature market mechanism as Hollywood has. Zhao Zhang’s purpose in coproducing with Hollywood was to become familiar with Hollywood’s system, such as its financial and insurance regulations. If Hollywood spends 100 million USD on production, how do they spend it and how do they get the money back? (Zhang 2012).

6.3.4 Who listens to whom?

When a coproduction is confronted with these differences, who should listen to whom?

Americans have not made the best partners in coproductions, and historically their industry has not needed help from outside. Americans often try to control all aspects of a project and see the other participants as just sources of money or locations, not as full and equal partners contributing to every aspect of a production. For Chinese-American coproduction to succeed in the long run, there needs to be mutual respect and a real working relationship between the parties on both a creative and economic level (Nemschoff and Yu: 2014:12).

But when it comes to real interest, respecting each other may end up as just rhetoric. Quite often complaints being heard from the Chinese industry are that Hollywood studios are too arrogant to cooperate with and the law and regulation involved are too complicated, while the independent producers of the US are more understanding and cooperative (Geng Ling 2014). Eben Davidson from Paramount Pictures pointed out two problems in the 17th Shanghai International Film Festival Forum (SIFFORUM) in 2014: first, the Chineseness of content and, second, the process of production is different in China. They say it needs to change, to be more like the Hollywood model. This is unlikely to happen. How to build a more comprehensive and competitive ecosystem for China film industry is an issue that was actively explored by the industry at the 2014 SIFFORUM. Jack Gao, SVP News Corporation, supported the idea of learning from Hollywood. Gao's standpoint has been discussed and endorsed by most industry people, although with a different learning emphasis.

There is no doubt that Chinese filmmakers and investors are enthusiastic about learning from Hollywood. In the 2010 SIFFORUM, director Feng Xiaogang argued that Chinese film is like Chinese soccer. While the desire and will are strong, the skills and technology are not good enough. Feng advocated cooperating with Hollywood to learn skills and technological processes and put those into Chinese films (Tang 2012:54-55). Andrew Y. Yan, who is the managing partner of SAIF Partners, agreed with Feng, but argued that marketing is the most important part. The CEO of Bona Film Group, Yu Dong, worried about how to distribute films in the U.S market, while the director He Ping, who used to work for Columbia Asia and has considerable experience of coproduction, emphasised content (Tang 2012: 58-59). The CEO of Shanghai Film Group, Ren Zhonglun, appreciated Hollywood's sophisticated

producer system and said that ‘as an investor, I hope that I could meet better producer teams’(Ren cited in Tang 2012:64). Director Huang Jianxin observed that the production management of Hollywood is the most advanced in the world and he recalled that when the team of *Kill Bill* came to China they (the Chinese side) learned a lot about the budget process. In China, the budget design for film is a very basic estimate, but Hollywood’s budget preparation is so detailed that it even included how many tissues were needed for the office. The budget and execution become very transparent. ‘We need to learn how to have China’s film production being managed at an international standard’ (Huang cited in Tang 2012:61,65).

BoxOffice editor Phil Contrino pointed out that Chinese filmmakers are getting better at making films that connect with Chinese audiences (Turney 2013: 46-47). Contrino’s observation can be demonstrated by local films that knocked Hollywood blockbusters from the top of box office revenue, such as *Lost in Thailand* (*renzai jiongtu zhi taijiong* 2012) and *Tiny Times* (*xiao shidai* 2013). In the 2014 China-Australia film coproduction forum, when the Manager of CFCC, Miao Xiaotian, was asked by director Pang Hong if the government could release the policy to let the Chinese film industry have more opportunities to coproduce with, and learn from, Hollywood, he disagreed with the idea that Chinese filmmakers did not know how to make films and should learn systematically from Hollywood. He said

China is not that fancy about blockbusters as before, especially since last year. Some local films like *Finding Mr. Right* (*Beijing Yushang Xiyatu*) and *American Dreams in China* (*Zhongguo Hehuoren*) achieved a better box office than Hollywood films. China’s domestic box office has exceeded the American box office in the past two years, this is quite rare in the world, only Korea and India have had similar success. Ten years ago, when we asked for cooperation with Hollywood, they would say: you fix your piracy problem first. But since last year, the big studios have all come to China to look for cooperation opportunities. One of the big studios’ CEO, as I know, has come to China six or seven times in half a year. I believe that China’s film industry is now an integral part in the global film industry chain. I have confidence in China’s film (Miao 2014).

So now at least China’s filmmakers are not satisfied to just learn from Hollywood but are seeking to be equal and willing collaborators.

6.4 Conclusion

At the moment it seems that Hollywood tentpole films are not providing sufficient Chinese elements to please the authorities. On the other hand, China-led productions are full of Chinese content and are, therefore, granted approval much more readily. However, they are harder to distribute globally and rarely achieve strong box office returns overseas. Hollywood films now seem to speak louder about Chinese soft power than China's own film or China-led productions. As Rosen (2011) has it, 'Hollywood blockbuster films have in fact been far more effective in promoting China's public diplomacy initiatives than China's own films'. Hollywood blockbusters 'have a financial interest in making China look good' as deviations from a China-friendly strategy are punished either by the Chinese public at the box office or by film authorities through outright bans' (Rosen 2011).

In addition to collaborations between Hollywood's big studios and China's film giants, there are many small or medium scale Chinese film companies exploring opportunities or working with independent producers. For example, Soundfirm, a post-production company with an Australian background, is currently participating in a coproduction with American independent producer Prinson Forest. 'I would like to work with independent producers', the CEO of Geng Ling said, 'working with big studios takes much more time; they are quite arrogant and always think they know more (Geng 2014)'. Young producers with US film studies, or those working in the background, are trying to build bridges. Wan Long, a graduate of the University of Southern California, established an American company using Chinese investment. His company is currently operating several coventures, one of which is attempting to localise *Hangover* (Wan 2014).

No matter how many obstacles or challenges exist for Sino-US collaboration, no matter if the infrastructure for international film coproduction in China is ready, Hollywood is setting its course for China at full speed. A substantial amount of money has flown into the Chinese film market from Hollywood since 2012. The American Securities and Exchange Commission is probing the movie studios' dealings in China to avoid potentially inappropriate payments made to Chinese government officials (Nelson 2012). From the Chinese side, except for buying Hollywood, as was discussed in Chapters One and Two, 'there is a new trend that some Western companies, especially Hollywood Six studios, are trying to sign a slate of projects with Chinese film companies. Even for some films that are not going to be released in China, the Chinese companies are willing to do some investment

in Western film or European film to get some market share outside of China. It is a really rapid development of media cooperation and film coproduction in China and outside'. (Wang 2014), according to a leading entertainment lawyer Wang Jun.

Chapter 7 Treaty coproduction with Australia

As discussed in previous chapters, international film coproduction is an important part of China's soft power push. China is actively pursuing coproductions all around the world. Coproduction agreements or treaties have been signed with many countries, including Australia. Chinese coproductions have taken an increasingly commercial turn as leading players in the industry aspire to improve the film industry value chain as the government pursues its soft power agenda and as foreign parties attempt to gain access to the Chinese market. The three case studies in this thesis each represent different examples of collaboration between Chinese and foreign parties in film production. The China-Hong Kong case study is rooted in the special relationship between the former British colony and mainland China, in their cultural proximity and historical ties. The China-US case study described the negotiation between Chinese consumer demand and the growing Chinese market for cinema, the Chinese film industry's aspiration to international success and domestic development, the Chinese government's soft power ambitions, and the largest and most successful film industry in the world – Hollywood.

The China-Australia case reflects a slightly different development trajectory. Coproduction with Australia represents not only countries with comparatively small film industries collaborating with China, but also countries and filmmakers whose work with Chinese partners is governed by an official coproduction treaty. 'Unlike Chinese partnerships with bigger film industries in the US, Europe, Hong Kong Special Administrative Region (SAR) and East Asia, Australia can be considered a junior partner', as Yue (2014: 187) says. 'Junior partner' is a term coined in film coproduction studies to 'describe a new and increasingly common type of relationship between marginal and dominant partners' (Yue 2014: 187, Goldsmith et al, 2010). Yue (2014:187) frames Australia's partnership with China, theoretically, as exemplifying 'minor transnationalism'. The term is used by Lionnet and Shih (2005) to refer to ways in which connections are built with minority cultures through routes that bypass dominant global forces. As Yue (2008) suggests, the Australian film industry's move towards Asia reflects a minor transnationalism route, as its traditional path has been through the flow of creative talent and resources to Hollywood and Europe.

This chapter examines why and how China and Australia are conducting coproduction activities, especially under treaty conditions. This chapter will analyse the motivations and

challenges for Australia-China treaty coproduction, through analysis of existing research data and a substantial amount of first-hand interview data. This is an under-researched area, so this chapter relies to a greater extent than other cases on primary source interview data. It will first look at the impetus for Australian and Chinese filmmakers to work together, and then will detail the rules for treaty coproduction and policy from the Australian side. This will provide the context for understanding the challenges of Sino-Australia treaty coproduction and why so few treaty films have been made. Finally, I will examine several films made under the treaty, looking at how the films themselves carry the traces of the complex and doubly bureaucratic official coproduction process.

7.1 The Australian impetus for Australian-Chinese collaboration

The Australian film industry has always struggled with market access. In the earliest days of the Australian film revival of the 1970s, Australian films were supported by a strong local response to the renewal of the industry and its ability to represent Australian stories on the big screen. However, there has been an appreciable decline in the viability of the local market for Australian films over the last ten to twenty years (Harris 2013; Harris 2007). In part, this is attributable to the growth in popularity of Australian television, although there are also a variety of structural reasons for Australian films' relative lack of domestic success. The Australian film industry is, in many respects, an industry of start-up directors and other creative principals, as many of the leading lights move on to make films elsewhere, particularly in the United States. The lack of local success has reached a crisis point over the last decade. Its domestic market share often hovers between 2-5 per cent, which causes much debate about the viability of the industry. As in so many other countries, the local box office is dominated by well-marketed Hollywood products. This problem is addressed in works by Lauren Carroll Harris (2013) and Richard Harris (2007) on the distribution crisis – where many Australian films do not reach a wide audience. Harris (2013) shows how enterprising film and documentary makers in Australia have set up their own distribution channels targeted to their market, have kept budgets low and retained control of their films' profits. Harris (2007) points out the promise, and the threat, that the proliferation of digital delivery platforms brings to the business of Australian screen content. Today's film industry depends greatly on distribution deals for funding, and for some filmmakers, collaboration with Chinese partners offers the prospect of both new sources of production finance and new distribution channels.

The Australian film industry is boosted by incoming international productions attracted to Australia by the incentives available, the highly regarded studio facilities, locations, expert support personal and technical expertise (Goldsmith et al 2010). However, Australian-led film production is perforce required to find international markets for its ongoing viability. Coproductions are one mechanism by which this may be achieved.

In Australia, coproduction normally refers to an official coproduction: a film approved under a coproduction treaty or memorandum of understanding between the Australian government and the government of another country (Screen Australia 2013c). Since 1986, Australia has signed treaties with Canada, China, Germany, Italy, Ireland, Israel, Singapore, South Africa and the United Kingdom, and Memoranda of Understanding with France and New Zealand. Negotiations are underway with the governments of Denmark, India, Malaysia and the Republic of Korea (Screen Australia 2013b: 26). As Mike Walsh (2012:303) argues: ‘these treaties are part of a larger movement by Australian film institutions away from the limitations of cultural nationalism, and towards a recognition of the need for new forms of international engagement if local film and television production is to be economically viable on a long-term basis’. A report by Screen Australia in 2012 shows that the overwhelming majority of Australian coproductions have been with the United Kingdom, France and Canada (Screen Australia 2013a).

Australian feature film production is currently focused on niche genres like art cinema, documentary and domestic comedies, with only occasional large-scale mass-market commercial films (Walsh 2012: 308). According to Screen Australia (2013a: 12), the budget for Australian domestic films tends to be low by international standards. International coproductions tend to have a higher budget than domestic productions. Financial pooling through coproduction is a very important benefit, which, to some extent, can compensate for the disadvantages of a low budget.

Country	Entry into force date	No. of coproduction projects	Total budgets (\$A)
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France	15 May 1986	29	\$227m
United Kingdom	27 August 1990	39	\$453m
Canada	26 September 1990	42	\$431m
Italy	12 December 1996	1	
New Zealand	23 December 1994	9	\$45m
Israel	13 January 1998	1	
Ireland	7 September 1998	3	\$22m
Germany	12 September 2001	6	\$41m
China	19 December 2008	3	\$45m
Singapore	16 October 2008	4	\$32m
South Africa	22 August 2011	0	

Source: Screen Australia (2013a)

With the economic rise of Asia, the Australian government is attempting to strengthen business relationships in the region through a range of measures. However, trade in cultural goods lags behind. In recent years the rapid expansion of Asian screen industries, especially the Chinese media industry, has pushed many governments, including Australia's, to focus on Asian media collaborations. In Australia, more treaties and MOUs have been signed or are being negotiated with Asian countries. China, South Korea, Malaysia and Singapore are seen as territories presenting 'great opportunities' for Australia according to Screen Australia's Manager Partnerships, Chris Oliver (2014). Thailand, Indonesia, India and Japan also offer opportunities, although formal coproduction arrangements are not yet in place with most of these countries.

The *Common Ground* report, published by Screen Australia in 2013, explored opportunities for Australian screen partnerships in Asia. It documents 'more than eighty Australian producers and production companies working with an Asian focus'. 63 per cent of Australian producers surveyed had done business with China. 47 per cent of local producers derived some revenue from the Chinese market and 43 per cent expected their revenue from China to expand, with 27 per cent expecting it to expand significantly (Screen Australia 2013d:13). Mario Andreacchio, an Australian specialist in international filmmaking and the producer of *The Dragon Pearl*, the first treaty coproduction between Australia and China, pointed out that 'we can't ignore China anymore because it is already starting to have an impact on our film industry. We have got to work out how we handle China because it's not just a big market, but also a big industry' (Andreacchio 2012: 34).

7.2 The Chinese impetus for Australian-Chinese collaboration

The question people frequently ask when it comes to the topic of Sino-Australia coproduction is: why does China want to coproduce with Australia? If it wants extra international market share, is a country with 23 million people the best choice? If it wants world-leading creative and technical skills, should the US not be the better teacher? In fact, Australia is the tenth largest cinema market in the world, and has produced many highly skilled filmmakers and innovative companies. In an interview with Mario Andreacchio, Walsh (2011: 18 cited in Yue 2014:187) summarises the reasons behind Australia-China partnerships: ‘Australians have no natural position of superiority in our region and ... China will increasingly deal with us from a position of strength’. Australian filmmaker Pauline Chan, the director of the second Australia-China treaty coproduction, argues that ‘Australia needs China. China does not need Australia’ (Dillon 2012: 96 cited in Yue 2014: 187). So, what is Australia’s attractiveness to China’s film industry? From the perspective of Screen Australia (2013d: 4), the attributes of Australia are: first, Australia’s shared history with China and the experiences of Chinese Australian individuals and communities, which are a rich source of story content with the potential to appeal audiences in both countries; second, Australia’s natural beauty and the similarity of time zones; third, the variety of government support mechanisms. In addition, the report (2013d: 4) regards the attributes of the Australian screen production industry as attractive to international partners for the following reasons: the track record of creative and technical skills, especially in post, digital and visual effects sector (Yecies, Shim and Goldsmith 2011); the professionalism of Australian practitioners and international best practice, especially in production management and production accounting; its experience in creating successful children’s content for the international market (eg. *H2O: Just Add Water*, Ward and Potter 2009) and strong connections to international distribution networks.

However, these attributes are not necessarily seen as being that attractive by Chinese filmmakers. The shared history is not exactly shared history in the same way as China and Hong Kong have a shared history, or even China and Korea. Australia and China are more like trade partners looking to develop cultural opportunities. Australia is, essentially, a Western, Anglo-Celtic country. The experiences of Chinese Australians have not translated very well into film so far, (see later discussion of *33 Postcards*). In reality, one of the most important attributes of international coproduction for Chinese filmmakers is the global distribution pipelines largely controlled by Hollywood majors. Australian companies can

offer little in this regard (Walsh 2012:310-311). Australia is, however, a good choice for mid-range Chinese producers, for whom collaboration with Australians may ‘provide a cheaper but also more accessible pathway ... to global film-making’ (Walsh 2012:312). As Australian ex-Screen West official and independent filmmaker Defrim Isai says:

We speak English, we understand the international culture. And we are small enough to be a good partner, not be a driver but as a passenger. China needs Hollywood’s experience, but Hollywood experience can come from the back door, which is from Australia and much more controllable... we are the little brother. America is the big brother, but maybe we are the favourite brother. We are more cooperative in understanding, whereas the American is trying to drive their perspective all the time. China and America are too equal to have good cooperation. They both have each other’s advantages: money and market (Isai 2013).

The largest and most ambitious Chinese producers tend to focus more on production with US and Pan-Asian partners. The Australian government’s incentives seem to be too complicated and not that useful for Chinese producers. As Tony Zhang, the Vice president of DMG, said at the 2014 Australia-China Film Coproduction Forum in Shanghai, Australian film policy is too complex. Tax refunds are not processed until the production has been completed, whereas in some US states returns begin to flow in 30 days.

The signing of the Sino-Australia coproduction treaty ‘corresponds with an increase in support for coproductions from the Chinese government’, and ‘demonstrates a keenness for the Chinese film and TV industry to engage with international audiences and producer partners’ (Screen Australia 2013b: 5). As part of its foreign policy and soft power strategy, the Chinese government has signed treaties with several other countries with small film industries in order to share skills, and to compete with Hollywood. Before the Sino-Australia coproduction treaty was signed, only one unofficial coproduction film without any Chinese money and with no eye on the Chinese market – *Mao’s Last Dancer* – was produced and released in Australia (Walsh 2009:13). It was banned in China due to its political sensitivity. Since the treaty, more Australian film producers have looked for opportunities in China, but only a few official coproductions have been produced nearly ten years after the introduction of the treaty. The following section discusses possible reasons for this.

7.3 Treaty Coproduction between China and Australia

In 2007, China and Australia signed a film coproduction treaty. It came into force on 19 December 2008. Four Sino-Australia film coproduction forums were then held to create more opportunities for producers' cooperation in 2010, 2012, 2013 and 2014. Until May 2014, only three treaty coproduction films had been produced (including *Children of the Silk Road*, made before the treaty was signed). *Children of the Silk Road*, made in 2006/07, was a three- way coproduction¹⁶ with Germany. This was followed by *The Dragon Pearl* and *33 Postcards* in 2011 (Screen Australia 2013a: 20).

Table 7.1: Australia/China coproductions

AUSTRALIA/CHINA COPRODUCTIONS				
PROD YR	TITLE	TYPE	AUSTRALIAN PRODUCER	FOREIGN PRODUCER
2006/07	The Children of Silk Road ¹	Feature	Blue Water Pictures	Ming Productions (China) Zero Films (Germany)
2009/10	The Dragon Pearl	Feature	Last Dragon Holdings Pty Ltd	Zhejiang Hengdian Film Production Co., Ltd
2010/11	33 Postcards	Feature	Portal Pictures Pty Ltd	Zhejiang Hengdian Film Production Co., Ltd

Source: Screen Australia (2013a: 20)

Table 7.2: Australia's coproduction partner-China

	China
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¹⁶ According to Screen Australia (2013c), three- way coproduction means a film produced jointly by an Australian coproducer, a coproducer from a coproduction country and a third coproducer from a country that has a coproduction arrangement with at least one of the coproduction countries.

CO-PRODUCTIONS WITH AUSTRALIA	
Type of agreement	Treaty
Date signed	7 Jun 06
Entry into force	19 Dec 08
Treaty coverage	Film
Aus contribution level allowable	Min: 20% Max: 80%
No. coproductions to date	3
Average no. coproductions annually	0.8
OVERALL CO-PRODUCTION ACTIVITY	
Competent authority	China Film Co production corporation (CFCC)
No. partner countries	n.a.
ECCC signatory	X
Total no. coproductions per year film	n.a.
Total no. coproductions per year TV	n.a.
GOVERNMENT FUNDING	
Direct funding: national	√
Direct funding: regional	X
Indirect funding (eg tax rebates/credits): national	x
Indirect funding (eg tax rebates/credits): regional	X
SOCIETY/INDUSTRY/MARKET	
Language	Mandarin Cantonese
Population (m)	1,360
No. Films produced annually	588(2011)
Average budget of films	€2m
Total annual cinema admissions (m)	370(2011)
Domestic share of box office	54%(2011)
No. TV households (m)	387
Local content regulation on TV	√
Expenditure on entertainment (2010) (Price Waterhouse Coopers preliminary figures)	US\$86m
Legal system	Civil Law
Currency	¥ CNY
Exchange rage last 5 yrs (Aus:foreign)	Av 6.07; Range 4.19 7.12

Source: Screen Australia (2013a: 16)

Official coproduction films can be counted as domestic releases in China, and so are not restricted by the quota that limits the number of foreign films released in China each year. They can also gain other advantages associated with domestic films in China, including more box office share and better movie theatre schedules, as discussed in Chapter Four. In Australia, treaty coproductions are automatically regarded as Australian and do not need to

pass a ‘significant Australian content’ (SAC) test in order to claim the Producer Offset rebate (Screen Australia 2013b: 5). The Producer Offset is a guaranteed portion of the budget provided by the Australian government to support the development of the screen industry, as I will discuss below.

In the following section, I detail some of the complexity involved in the specifics of the Australian agreement with China, whereas in previous chapters I demonstrated the intrinsically complex and uncertain character of coproductions with China in general. In the previous cases of Hong Kong and the US, production agreements were, typically, less formal than the Sino-Australia coproduction treaty, and this makes the Australian arrangement doubly complex. The case studies of individual film titles later in the chapter illustrate how this double complexity works.

According to the treaty (Article 1:1), an official coproduction or a ‘Joint Investing and Copyright Coproduction Film’ is a film made by one or more Australian producers in conjunction with one or more Chinese producers. It also includes a film made by an Australian coproducer and a Chinese coproducer in conjunction with a producer of another country with which Australia or China has signed a coproduction treaty. Joint Investing and Copyright Coproduction Films are entitled to enjoy all the advantages accorded in both countries to national films (Article 2:2). Each partner country has a competent authority to review the requirements of agreements and to approve the status of a film. The Australian competent authority is Screen Australia. The Chinese competent authority is the Film Bureau under the State Administration of Publication, Press, Radio, Film and Television (SAPPRFT). China Film Coproduction Corporation is designated by SAPPRFT as the Chinese organisation that deals with administrative affairs and through which films are assessed for official coproduction status (Article 3:2). The coproducer on each side is responsible for the application for coproduction status in each country (Article 6:4). In China, a coproduction will be recognised as having completed the provisional approval process once “project establishment” status has been granted. The completion of the final approval process is the grant of a Film Public Screening Permit. In Australia, a film will be recognised as having completed the provisional approval process or the final approval process once a written notification from the Australia coproducer has been provided (Article 4:3) (Screen Australia 2008).

The coproduction treaty requires that the creative contribution, financing and expenditure must all be in proportion; the creative contribution made by each coproducer in a project needs to be roughly in proportion to the financial contribution. Additionally, the budget raised by each party should also be roughly in proportion to the amount of the expenditure on each country's elements. Each producer needs to have not less than 20 per cent and not more than 80 per cent financial and creative contribution of the total (Screen Australia 2013b: 28; Screen Australia 2008: Annex). At the moment, Chinese authorities have not formalised any system of quantitative measurement for the Chinese elements in a coproduced film. The process of application for project establishment status is much the same as described in Chapter Four.

In relation to Australia, the application for provisional approval from Screen Australia is submitted after the finance is in place and before production commences. A non-binding letter of preliminary compliance can be sought before the application (this was not possible before late 2010). The letter, to some extent, secures a project's coproduction status and helps attract finance. Australian creative contribution is determined by a points test called Australian Qualifying Points (AQP). The AQP must reach at least 20 per cent of the total creative points and, as discussed above, must be roughly in proportion to the Australian financial contribution. A five per cent margin either way is allowed. For example, if the Australian coproducer's financial contribution is 50 per cent, the AQP can be between 45 per cent and 55 per cent. If the person filling a key creative role is an Australian national or a permanent resident, a point is scored for that role, with two points for writer and director. Producers do not attract points. A total of fifteen points are required for feature films and television drama. The compulsory points are: writer (2), director (2), DoP (1), editor/picture editor (1), cast (four principal roles) (4). If the Australian financial contribution is more than 50 per cent, then at least one of the key roles should be filled by an Australian. There are discretionary points for composer, costume designer, production designer, script editor and so on (Screen Australia b: 30-35).

The Producer Offset was introduced in 2007 and is one of a package of support measures called the Australia Screen Production Incentive (Screen Australia 2013e). It is available to Australian film and television projects which have passed a significant Australian content (SAC) test or to films made under official coproduction arrangements. It is a rebate rather than a tax credit and is applied on qualifying Australia production expenditure (QAPE) in

making Australian film and television. Feature films can claim 40 per cent of the QAPE, and all other eligible formats can claim 20 per cent. There is no cap on the amount of the offset payable, but there are some limits on specific types of production costs as a percentage of total production expenditure (Screen Australia 2013b: 8-9).

An official coproduction can bypass the SAC test, but only money spent by Australian coproducers can be claimed as QAPE. Normally, the QAPE 'includes most of the major production costs expended in Australia, including on goods and services, locations and the wages of all cast and crew (including those travelling to Australia from offshore). Above the line costs are included in QAPE, subject to a limit of 20% of total film expenditure' (Screen Australia 2013e:20). A broader range of expenses were made eligible for QAPE after the Producer Offset reforms, including production insurances, completions guarantees, legal, audit and company fees, additional publicity and marketing costs, some distribution costs and carbon offsets. 'In essence, QAPE is money spent in Australia. Despite this, the wages and travel costs of Australian residents working overseas during principal photography counts as QAPE providing the subject matter requires the use of these locations'. The threshold of QAPE for feature film is at least AU\$500,000. However, 'in the case of official coproductions, expenditure in Australia's partner country that would be regarded as QAPE if it was incurred in Australia, is QAPE for the purpose of meeting the expenditure thresholds, but is not QAPE for the purpose of calculating the amount claimed back under the producer offset as a rebate' (Screen Australia 2013b: 19-22).

As the portion of the budget contributed by the Producer Offset is not available until the film or program has been completed and a tax return has been filed, the producer needs to find funds to cashflow the project. Usually, feature producers rely on interest-incurring loans from banks and financial institutions to cashflow the offset. A company is set up specifically for each production, known as a special purpose vehicle or SPV, to keep it separate from the company's other tax affairs and to avoid a delay in offset payment. When the offset is credited by the Australian Tax Office (ATO) to a company with a final certificate, the company's pre-existing tax liabilities are reduced first, then the remainder is paid out as a refund. To avoid this situation, many producers use SPVs to ensure the availability of the full offset for repayment of cashflow loans. Due to this arrangement, many cashflow lenders also insist on using an SPV to quarantine offset activity. Additionally, in most cases, the Producer Offset payment is processed at the end of the financial year (30 June); however, the timing of

completion and final certificate may occur earlier. This can result in substantial interest costs in cases where offset cashflow has been borrowed. The ATO only processes a tax return before the end of the financial year when the taxpayer will not earn any further taxable income in that financial year. A separate SPV for each project is used to facilitate this early processing (Screen Australia 2013e: 2–15). Also, in treaty coproduction films, an SPV is needed. Producer Lynda Woods outlines the process that Australian producers must undergo: ‘When we finish the film ... then we can close that SPV. In that way, we can apply for the Producer Offset very quickly. If we didn’t have the SPVs set up, then we have to wait for the next financial year. That way, I can get back to my investors much faster’ (Woods 2014).

The purpose of the Producer Offset is not only to raise the production budget, but also to shift the producer’s role from service provider to investor. It improves the producer’s equity share in the project and increases the producer’s share in the project’s potential revenue. Also, the producer can trade part of the extra equity delivered by the offset to attract investors, and/or talent, by providing them more equity than their investment alone would deliver, or an accelerated position on the recoupment waterfall. Besides, there is usually a margin between the actual offset payment received from the ATO after the project is completed, final certificate issued and tax return filed, and the amount cash that flows into the budget at the time of production. Due to the fluctuation of QAPE in the process of production, most cashflow lenders surveyed by Screen Australia indicated that they will provide between 85 and 90 per cent of the anticipated offset value. This margin can be creatively used to invest back into the budget, as an offer to investors, to cover unanticipated extra costs during production, be retained to build the business or to finance subsequent projects (Screen Australia 2013e: 2–13).

Mario Andreacchio (2013:18–19) indicates the double complexity facing Australian coproducers in dealing with both Australian tax arrangements and treaty requirements. Not surprisingly, perhaps, the Producer Offset ‘is often misunderstood by Chinese producers as a government subsidy directly to the film itself; therefore, they will argue for a share of the offset or say the offset is not “real money” and can’t be claimed as equity’. However, he argues that the offset is actually a company asset and should be treated as a cash investment by the production company. He suggests thinking about the Producer Offset in terms of a continuing coproduction slate, using it strategically for the longer-term benefit of the coproduction relationship with China.

For instance, the producer's tax rebate could be used for the marketing of the coproduction film in a shared territory, or it could be used to finance the development and packaging of the next projects, or the accumulated rebate asset over say two or three movies could be used to help finance a more risky movie venture. Taking this approach gives a solid foundation to the coproduction relationship, and indeed gives the Australian company a definite competitive advantage against other international producers trying to establish a coproduction relationship with China (Andreacchio 2013: 19)

7.4 Challenges

The most challenging areas for Australia producers wishing to become more involved in the Chinese screen industry, according to Screen Australia's *Common Ground* report (2013d: 13–15) were piracy, censorship, a lack of financial resources to pursue opportunities and difficulty establishing business relationships. However, as we have seen in previous chapters, piracy, censorship and finance are problems existing in any collaboration between filmmakers from China and their counterparts from all other countries; they are not unique to Australian producers. The difficulties of mounting a China-Australia treaty coproduction, according to Andreacchio's own experience and that of other producers, are that the obstacles are deeply systemic, and lie within the Australian screen industry, rather than in China (Andreacchio 2013: 4-5). Furthermore, I argue that in the Australian case, developing a project is much harder than for their Hong Kong or US counterparts. It not only needs to overcome cultural distance but also the dual bureaucratic approval process in China and Australia. The US has the cultural distance factor but not the double complexity factor.

The issue of finance is a permanent topic in filmmaking. However, as discussed in Chapter Four, China rarely lacks money for a good story. To cite a saying popular in China: 'money is a problem, but the problem that can be solved by money is never a problem'. 30–40 per cent of the budgets of Australia-Sino treaty coproduction films, *The Dragon Pearl*, *The 33 Postcards* and *The Stone Forest* (in production), have been covered by "soft" money, including funding from the Producer Offset and other government sources. 70 per cent of the budget of the second treaty coproduction, *33 Postcards*, came from Chinese and Singaporean private investors. In the experience of the film's director, Pauline Chan, Asian money can be raised very quickly. 'For *33 Postcards*, it was three days in Singapore and in China, we got all the investment. And in Australia, you could wait for three years'. She raised AU\$3 million

in three days from two investors (Chan 2011). The problem is always how to develop a good story that can be used as a Sino-Australian treaty coproduction. Andreacchio indicates that talking about money should always come after cultural collaboration and creative collaboration. To try to use coproduction with China as a mechanism only for financing films will end in disaster (Walsh 2012:35). As Australian director Chris Brown said at the Film Financing Forum in Brisbane 2013: 'China has money for their films, not yours' (Brown 2013).

Finding finance in China should not be a major problem if a project has a good story. However, the challenge might be to quickly find and secure finance. Due to the fast-changing and volatile market, more than twelve months planning from signing a coproduction MOU to closing finance could be too long. 'Given that coproduction approvals themselves can take 2-3 months, legals and documentation, including bond guarantees, insurances and investment agreements can at best be done in about four months, that then leaves only 4-5 months to find and close financing!' (Andreacchio 2013:15). But the complexity of the Australian system does not help producers who are seeking to move quickly. The number of approvals required by the Australian side, and the length of time required to obtain them, are even more complicated and longer than the Chinese side. There is also uncertainty as to whether approvals will be given.

Challenges for most Australian producers may arise in the very early development stages. The travelling and translation fee for the early development stage of coproduction to build relationships and networking is high. After the early development stage, 'on average, a producer should expect to travel to China every six to eight weeks and possibly more frequently in the last stages of closing agreements' (Andreacchio 2013: 14). Provision for travelling and translation cannot be ignored in budget planning. In Andreacchio's experience, the budget for developing a Chinese coproduction project is usually two to three times the size of a normal project (2013: 7). Government development funding is very often not enough considering the need to act quickly and to avoid rushed compromises at the final stage due to lack of finance.

Given the efforts that have been put into developing Chinese coproductions, it seems better to have a long-term strategy for a slate of projects rather than for just a single project. By doing

this, the experience and resources accumulated from one production can be used again without extra costs. ‘A long-term plan with China will shape and influence not just which movie to make but which coproduction partners to seek, and what resources and capital will need to be assembled’ (Andreacchio 2013: 20). Having, or not having, a coproduction strategy that will span a number of productions is recognised by Andreacchio as the most fundamental challenge (Andreacchio 2013: 20). The CEO of DMG Entertainment Group in Beijing, Dan Mintz, also believes that the coproduction partners should establish a plan to develop long-term cooperation rather than disconnecting after only one film (Zhou 2011). The Australian producers nonetheless tend to ‘think, apply for, and develop single, distinctly different projects’. The Australian system currently is not designed to fund slates of projects (Andreacchio 2013).

The major challenge for Australia-China coproductions is the difficulty of developing a suitable script that not only satisfies audience tastes, but also complies with the needs of both governments. Furthermore, the ambition of those producers to attract viewers from both countries makes the project more complex and success harder to achieve. In fact, looking for a suitable story is not just a challenge for Sino-Australian coproduction, but for all international collaborations, as was discussed in Chapter Four. Nevertheless, the situation is more complicated in Sino-Australian cases. The sheer number of adverse factors might also explain why so few films have been made under the treaty since 2006.

Unlike Sino-Hong Kong or Sino-Korean joint productions, or for that matter intra-European coproductions, there are huge cultural differences between Chinese and Australian value systems. Scripts restricted to universal content, such as science, technology or shared history, may have a better chance of being successful, but this narrows down the range of subjects. While Hong Kong and Korean coproducers benefit from cultural proximity, Australian producers are left to compete with Hollywood or, more realistically, to inhabit the lower budget, niche end of the market while partnering with second tier Chinese producers.

There are no treaty requirements on Sino-US joint productions. Although the Chinese government has imposed some regulations, the US is relatively unencumbered by restrictions. In the case of Australia-China coproductions, both governments have long considered ‘cultural nationalism and nation-building’ as a reason for supporting and intervening in the film industry (Walsh 2012:305). This means that an Australia-China coproduction has to go

through a complicated two-phase approval process to demonstrate that there are both sufficient Australian elements and sufficient Chinese elements.

A major challenge here is that the Australian and Chinese governments apply different criteria. The Australian coproduction points system is more complex than systems from other countries (Screen Australia 2013d:9). The tight governmental censorship control and non-transparent reviewing process in China, which are usually qualitatively based and influenced by unpredictable elements, are not familiar to Australia producers. Script changes seem to be inevitable after scrutiny by SARFT. In China, as Mario Andreacchio's own experience shows, the challenge for the producer is not only about tolerating changes but also 'accommodating these script changes and having them approved again in time for the shoot to commence as scheduled' (Andreacchio 2013: 16–17). He further points out that the number of elements subject to change with a coproduction is greater than normal production. 'Some coproductions have been seen not to progress because the number of changing elements is beyond the tolerance range of the producer' (Andreacchio 2013: 16–17). Additionally, the film financing mechanisms in Australia are different to those in China. The requirement for a completion guarantor and the complex legal documentation required by Australian productions decreases the interest of Chinese film production companies in working with Australian partners. As discussed in Chapter Four, the Chinese film industry lacks intermediaries like completion guarantors, collection agents, escrow account holders, and trustees.

Screen Australia's report ascribes the low number of coproductions with China compared with most other treaty countries only to the shorter duration of the treaty agreement (Screen Australia 2013b: 13). The relatively short cooperation time may well be one reason but it is not the only reason; insufficient mutual understanding of each other's regulations cannot be overlooked. The Australian side lacks understanding of the Chinese market and censorship, while the Chinese side lacks awareness or experience of the Australia screen industry. The survey by Screen Australia indicates that one of the challenges for Chinese with little involvement with Australia is in knowing where to find information about Australian production companies and their capabilities (Screen Australia 2013d: 15). The advantage of Australian soft money like the Producer Offset is not well known by Chinese parties. The mechanism of the rebate is also very distinct from Chinese government investment incentives and thus not easy for Chinese filmmakers to grasp.

Insufficient knowledge of the counterpart market requires joint script development from the very early stage. ‘Approaching a Chinese partner with a completed script is much less likely to attract interest than presenting projects where codevelopment is on offer’ (Screen Australia 2013d: 15). Mario Andreacchio observes that for a coproduction Australian producers offer the possible coproduction partners a project that has been extensively developed. However, the script for coproduction with China will have to ‘satisfy cultural elements, reflect current market trends in China ... and comply with the censorship requirements of the Chinese film authorities’. If the project is developed by the foreign party alone, it is hard to meet all these requirements and a further development period is needed, which means extra budget pressures. The extra cost tends to be borne by the originating producer. A joint development strategy not only ‘allows for clarity and incorporation of China-side requirements, but also creates an environment where the development budget can be negotiated and shared’ (Andreacchio 2013: 6-8). Andreacchio further points out that ‘the process of shared producer responsibilities with foreign partners and share financial contributions in development is not common in Australia’. Besides, the Chinese approach to developing projects is more market oriented than the Australian system, which should be an important shift in thinking for Australian producers. Due to long-term government subsidies, Australia filmmakers tend to purely focus on the film itself and, consequentially, demonstrate a lack of detailed consideration of market return.

7.5 Case studies

As we discussed above, only three treaty coproductions have been released, if we include *The Children of the Silk Road* (or *The Children of Huang Shi*), a three way coproduction. None of these films has achieved any box office or artistic success in either country.

	China b.o.	China admissions	Australia b.o.
The Dragon Pearl	\$US 4.8m	1,030,531	N.A.
The Children of the Silk Road	\$US 1.6m	401,996	\$A890,847
33 Postcards	\$US 0.3m	53,678	\$A47,419

Entgroup in Walsh 2012: 307

The Dragon Pearl

Mario Andreacchio, an Adelaide-based writer, director and producer who has many television and film credits to his name, such as the Emmy award-winning telemovie *Captain Johnno* (1988), is a pioneer of the Sino-Australia treaty coproduction field. After coproducing with Germany, France, the UK, South Africa, Canada and Japan, he saw China as a ‘natural extension’ (Andreacchio 2012: 34). *The Dragon Pearl* (2011), made between his company AMPCO Films and Hengdian World Studios – the largest studio complex in the world – is regarded as the first Sino-Australia treaty coproduction. The budget was about US \$20m (Hatherley 2011). This fantasy adventure film, starring Sam Neill, Jordan Chan and Wangji, and full of attractive Chinese elements such as dragons and beautiful views and dragon-related special visual effects, was expected to play very well in the Chinese box office. However, it only made around US \$4.8m.

The film tells the story of two teenagers, Josh (Louis Corbett) and Ling (Li Linjin). About three thousand years ago, in order to defend his kingdom, an emperor in northern China borrowed a pearl from a dragon. Unfortunately, the emperor died in battle and the pearl was lost. Without the pearl’s magic power, the dragon was trapped on earth. Josh and Ling accidentally find the dragon trapped beneath a temple during their trip to an archaeological dig in China. They try to inform their parents Chris (Sam Neill) and Dr. Li (Wang Ji), but are met with disbelief. They decide to help the dragon return to its home. On this wild journey, they have to fight with an evil archaeologist, Philip Dukas (Robert Mammone), who wants to seize the pearl and use its power for his own distorted ambition. The use of dragon elements in this film brought some trouble for Andreacchio, as the current Chinese authorities are ‘very protective of their dragon, a still-potent symbol of creation and continuity, utterly unlike St. George’s fire-breathing monster’ (Hatherley 2011). ‘Everything is run by the government, particularly the media, and they recognise the social impact a film has. They were reluctant but gave us permission and then *Mummy 3* [which featured multi-headed dragons] came out and they had promised the Chinese they would be respectful to dragons. They took back our film permit and said, “we don’t trust Westerners”’ (Debelle 2013). Much patience was required in dealing with the authorities. Even the film’s original name, ‘The Last Dragon’, was problematic, as the dragon is a loved symbolic creature in China, and the idea that there could only be one remaining was unthinkable for Chinese authorities. It was suggested that they use a panda instead (Debelle 2013). The image of the dragon in this film was modified many times to make sure that it complied with the traditional Chinese dragon image.



The Dragon Pearl is a family film, a genre that is very popular in Australia but not in China. Andreacchio realised this and tried to market and present the film ‘as being a lot more action driven’ in China. (Andreacchio 2012: 36). As a cinematic experience, however, the film takes an inordinate amount of time to develop its action plot. The special effects devoted to the appearance and actions of the dragon betray the limitations of the budget and would be hard pressed to captivate audiences who expect a Hollywood-standard spectacular driven by budgets several times greater than this one. This is the problem posed by needing to market the film as action driven.

Good marketing and distribution saw the film open on 3500+ screens in China in March 2011 (Hatherley 2011). The film achieved reasonable box office success in the first several weeks of screening – coming in at seventeenth in the Chinese box office from January to March 2011 (Cremin 2011). The spectacular scenery around the temple may have been unusual for Western audiences, but not for Chinese audiences. The role played by Jordan Chan in the film was not central enough to secure the benefits of his popularity. His awkward acting was far removed from his earlier Hong Kong gangster movies. Another main Chinese actress, Wangji, is well known to most 1970s or older audiences, but she is not known to younger audiences. In the end, there was sharp drop off in attendances, which led to a poor final box office performance.

The film was not released in Australia, although it premiered in February 2012 at the Adelaide Film Festival and is now available on DVD (Hood 2014). ‘Dwarfed by the large-scale production capacity of “Chinawood”’ (Yue 2014:193-194), Australia’s junior role in the film is demonstrated by its late premiere and release, and marketing it as an action film in China. Australia’s deference to China can be seen in the film’s plot: the white man empowers the Chinese to protect their heritage, the enemies (the thieves) are Western, the Chinese teenager has a special ability that helps to restore the pearl to the dragon. ‘Like *The Children of the Silk Road*, Chinese bloodline, decent and race are upheld’, Yue observes (2014:194).

The poor international release of this bureaucratically blessed film certainly contributed little to China’s soft power ambitions. Though the film itself did not achieve success, it tested the market, and the experience accumulated by Andreacchio through this coproduction provided valuable lessons for successors in the field. Andreacchio accrued cultural capital in Australia through the brokering role he performed for new screen relationships between China and Australia (Yue 2014:195). The term “cultural brokerage” is introduced by Braester (2005) to describe how new partnerships are leveraged by cultural capital. By leveraging experience, expertise and partnerships through this film, and through Andreacchio’s other action in China-Australia film coproduction mentioned in a later section, Yue (2014:195) points out that ‘film capital helps build the industry through networks rather than infrastructure’.

33 Postcards

33 Postcards, a coproduction between Portal Pictures and Zhengjiang Hengdian Productions, was made by Sydney filmmaker Pauline Chan. It was the second Australia-China treaty coproduction. It tells a story of love and redemption. An Australian man, Dean Randall (played by Guy Pearce), sponsors a Chinese orphan, Meimei (played by newcomer Zhulin), through a charity organisation for ten years and sends Meimei postcards that describe him as a devoted family man. When Meimei’s orphanage choir travels to Sydney to participate in a singing competition, she eagerly takes the opportunity to sneak off to thank her sponsor in person. However, Mei Mei discovers the shocking truth – Dean is actually a convict imprisoned for manslaughter. Meimei decides to stay in Australia until Dean is granted parole. In the meantime, she naively falls into a criminal’s clutches. To save Meimei, Dean tries to gain early release by testifying against one of the prison’s more violent inmates. Unlike *The Dragon Pearl*, this film is mostly shot in Australia. The two key characters, according to Chan (2009), are based on a story from real life. Chan and her cowriter, Martin Edmond, read

a newspaper story about an Australian man who wanted to sponsor someone. Chan had made three documentaries on Asian street kids and abandoned children. Those children's dream was to meet their sponsor one day, but it never happened.



Yue (2014:197) sees Australia's junior partnership reflected in the financing of this film (30 per cent from Australia, 70 per cent from Chinese and Singaporean investors) as well as the number of screens on which the film appeared: 8000 in China, compared to only 42 in Australia.

Pauline Chan was born in Vietnam, grew up in Hong Kong, and went to film school in Australia. Such a background has given her deep cross-cultural understanding. As the writer, director and producer of *33 Postcards*, Chan tried to ensure the film did not become a melting pot mess and gained great satisfaction from the plaudits of her coproduction partners who said *33 Postcards* 'is a shining example of the model for future coproduction work on film because it's not compromising either culture for the sake of commercialism or for sanitising something' (Bodey 2011).

In this sense, it is a very unusual coproduction. Almost by default, official or treaty coproductions will tend toward positive representations of the countries involved. They will stay within recognised genre boundaries, due to the need for them to work cross culturally. This film positions itself well in Meimei's final decision to return to China rather than to stay in Australia, fulfilling both governments' dominant proposal on migration: 'the former deterring asylum claims, the latter frowning upon outbound emigration' (Yue 2014: 198).

Chan (2009) said that this film was for global audiences, not just one particular community. It was, however, almost universally panned. Basically, all reviews were negative, though Neil

Genzlinger (2013) from the *New York Times* described it as a ‘Sweet if not very credible film’. Some of the reviews even lamented that the dependable Australian actor Guy Pearce appeared in such a ‘sappy, atonal family drama’ (Elizabeth Weitzman 2013). Frank Scheck (2013) from the *Hollywood Reporter* mocked the success of this film ‘mainly in provoking the viewer’s sense of disbelief’. Chuck Brown (2013) from *Slant Magazine* directly criticised it as ‘a jumbled mixture of redemptive uplift and genre hijinks’.

In this case, an art cinema director – see for example *Traps* (1994), her third feature – has tried to mix an art cinema ethos, exemplified by Guy Pearce’s character as a damaged, withdrawn antihero, with a melodramatic tale of the impossibly good child, who drives the narrative. Asian cinema is much more used to major tonal/genre shifts than Western realist narrative cinema (Galvin 2009). While Chan may have received the plaudits of her coproduction partners, it is understandable why the film may have performed very poorly at the box office. To balance the arguments for the poor performance of the film, Yue (2014:199) argues that film capital is accrued in the international leveraging of Pearce as a well-established Australian Hollywood star, and through ‘a Sinophone cultural capital that allows the film to confront the settler colonial history of Chinese migration’.

The Stone Forest

The Stone Forest is a contemporary 3D action adventure romance feature film that was in production at the time of writing. It utilises the official coproduction treaty with China and targets an audience in China aged between nineteen and twenty-five years. It was initiated by an Australian production company, NJM Film (which later changed its name to Southern Light films). Nicholas McCallum started this project after thirty-two years of filmmaking experience – involving 53 productions across 14 nations. He has become well known as an excellent production designer for his work on *Bait 3D* (2012), *Sanctum* (2011), *The Black Balloon* (2008) and *Getting Square* (2003). The project helped him make the transition from a production designer to a writer and director. After McCallum finished the first script, Lynda Woods, who has a background in finance, began to seek funding.

The importance of partnerships in a coproduction is self-evident and has been discussed in previous chapters. Building a trustworthy and strong collaborative partnership is very important in China, where *guanxi* (social capital) is so indispensable to business. The development stage of this project greatly relied on Nick’s experience and his background in

China over two decades. He learned Chinese *Yijing* and also set himself the motto of “perseverance furthers”. Nick regularly visited and travelled throughout China from 1987. His film work in China includes his role as production designer of the internationally successful television series *Spellbinder – Land of the Dragon Lord*, a coproduction with the Shanghai Film Group made in 1995.

Over the past two decades, Nick built *guanxi* with Shanghai Film Group (SFG), with the president of SFG, Ren Zhonglun, as well as with the director of the SFG coproduction department, Helen Li, which provided this project the unusual opportunity to cooperate with China’s first-tier film company. McCallum and Ren travelled together in 2010 to Yunnan province. Ren introduced McCallum to leading political figures there. The project benefitted from such strong partnerships and from partnerships between SFG and BUS (Beijing Universal Starlight, one of their main Chinese investors).

The Stone Forest is entirely set in Kunming, Yunnan Province, in the wonderful heritage site of the stone forest (Shilin). It tells the story of an Australian student who travels to China with his archaeologist father and falls for a Chinese girl. As their romance develops they discover the girl must break an ancient curse that has been placed on her for lifetime after lifetime. The screenplay was written by Nick McCallum, based on the novel *Onlooker* written by Roger Davenport. *The Stone Forest* adheres more closely to the template of an action film than does *Dragon Pearl*, but there are some interesting parallels between the two films – archaeology, mythology and youth as central drivers of the action. Although the film is set in a modern city, it also acknowledges Chinese cultural heritage and was fully supported by Chinese authorities as a result.

Apart from it being difficult and time-consuming to build a solid collaborative partnership, it is very hard to develop a script that includes the elements both countries need in proportion to the financial contribution of the parties. McCallum says, ‘Unless you have a long standing relationship with China and a sensibility to cultural issues and heritage issues and business issues, it is very difficult to write a story that doubly entails the elements that the Chinese look for, together with those that westerners look for’. After having the story and a basic script worked out, McCallum went to China and introduced his project to Shanghai Film Group, who was very supportive and encouraging. Nick returned to Australia to develop the script further.

It is a great learning experience also. I didn't have all the answers at the beginning. From my living in Shanghai for one year, and the decades I have been returning to China, there is a way of going about businesses and storytelling: mindful and respectful of the history and Chinese culture... When I wrote the script, I always had that in mind. I had helpful support from my Chinese counterparts, and I also developed the script from my Australia counterparts, so we had a project that was quite curious, because Westerners will read it and say it is a very Chinese story, and the Chinese will read it and say it is a very Western story ... Because it is not actually regarded as a Western story set in China. And it is not regarded as just a Chinese story. So that is what we have to do. It is very difficult to do it without the background and experience (McCallum 2014).

Due to Nicholas McCallum's understanding of the Chinese market, sensibility and censorship and their codevelopment of the script from the very beginning, the CFCC were very supportive of the project, although they still indicated a few points about the direction they would like to see the script take. Lynda Woods (2014) also points out that although there were some subsequent changes of the script initiated from China's feedback, no one focused negatively on what needed to be changed or altered. McCallum (2014) said, 'We are trying to make our film politically correct. We don't try to challenge the ideology; we don't try to alter history or slant Chinese perspectives to the rest of the world. We are mindful and respectful of all of that. Know how to present something to CFCC and then SARFT to make sure that they are not going to have some objections'.

When it comes to financing Sino-Australian coproductions, the normal approach is to go to China and look for money. However this was not the approach of *The Stone Forest*. As Woods says: 'using the minimum percentage of China means we can get more money from the Australian government... So it makes sense to maximize the Australia spend to 80%. You get 40% back of that 80%'. At the time of interview, in 2013, the total budget of the film was AU\$15m. 23 per cent of the budget had been raised from Chinese coproducer BUS, with 62 per cent from Australian sources, and 15 per cent still to be found.

Australian government funding may cover 50 per cent of the budget; 40 per cent from the Producer Offset coupled with some direct investment from state and federal governments,

along with additional post-production incentives. But the 40 per cent Producer Offset depends on what qualifies as 'Qualifying Australia Production Expenditure' (QAPE). In *Stone Forest*'s case, the Producer Offset provided 26 per cent of the budget, with about 8 per cent coming directly from other government sources.

Although Australian filmmakers have access to government funding, it can be hard to find private investment. Timothy White, another coproducer, and cofounder of Southern Light, points out that 'beyond the luck, connection and tenacity, you have got to be smart enough to understand that certain investors do want certain projects, so there will be certain subject matter or the nature of films that will appeal to a range of people. So be connected to that range, firstly to identify them to be connected and unconnected' (White 2013). This project successfully persuaded some of its service organisations, like Delux, Agenious, Pinnacle, DG, Arclight, to become investors.

Woods mentioned that there are numerous rules to learn and lots of requirements to abide by when you attempt to make an official treaty film. 'An interesting thing came up with Screen Queensland... [They] said "if you do your postproduction here, you may receive two hundred thousand dollars extra"', but the Victorian government will give me half a million dollars to have AU\$5 million post production work done in Melbourne. As a producer, you have to know all the rules with every state government and federal government all the time, it changes all the time. I can save or make AU\$300,000 only by doing post production in Melbourne' (Woods 2014).

One basic rule, according to the treaty is that the split of the investment should be 20/80, that means the portion each party put in should be equal to or more than 20 per cent and equal to or less than 80 per cent of the total budget. At the same time, the creative contribution should be in proportion to the financial contribution. Specifically, in Australia, the Australian qualifying points system measures the creative contribution. 'If you have twenty per cent of China and eighty per cent of Australia from Screen Australia's point of view, then only ten of the key creatives or department heads would be Australian because of the points, the rest have to be Chinese' (Woods 2014). As most shooting was in China, and the Australian side provided most of the financial contribution, the AU\$5 million post production was assigned in Australia to help with the QAPE element.

The long term strategy for China-Australia coproduction is emphasised by *The Stone Forest* team. As considerable time, money and effort were invested in building collaborative relationships and learning in the early stage of this project, it would be a huge waste if the production resources and experience could not be applied again. A slate of projects has been planned, and a commercial model created for future projects. McCallum says: ‘we have four productions to [take to] China and we have two productions that China brings to Australia. We can get all the parties in this film *Stone Forest*, and then we use that as a template in the rest of products’. The slate of projects includes different kinds of stories. The four Chinese productions are a family adventure (*The Stone Forest*), an action adventure (*In the Midst of Darkness*), a rock and roll musical (*New World*), and an animation (*Skippy*). The other two stories, from China to Australia, are *The Divorce Story* and a big studio disaster film. ‘My aim is to make a Western style film with Chinese elements in order not only to be accepted by Chinese audiences but also to bring the story to show across the globe (McCallum 2014)’. This was also Andreacchio and Chan’s wish, but both ended up with a melting pot that isolated audiences in both countries. If an authority-blessed coproduction like the *Stone Forest* coproduction can be successful not only in China but also internationally, it will definitely contribute to the exercise of China’s soft power in the world.

Interviews with the filmmakers were conducted at the end of 2013 and at the beginning of 2014. At that time, *Stone Forest* was expected to finish development and to soon close all financial deals. The original plan was for pre-production to start in early 2014. ‘The preproduction and shooting might take nearly 18 weeks. The postproduction will be done in 30 weeks. So altogether, it will take nearly a year from preproduction to delivery. If all things go smoothly, the project will start production in the second half of 2014 and be delivered at the end of 2015’ (McCallum 2014).

At the time of writing, in early 2015, the film had yet to go in to production. It has been confronted with numerous delays, all of which are out of the control of the Australian producers (Woods 2015). First, their major investor in China, BUS, changed its business name and registration in China, which took several months to sort out. Second, the CFCC and SAPPFTR, at a meeting in late 2014, suggested that Shanghai Media Group (SMG) become the lodging coproducing partner instead of SFG, which is one of SMG’s nine subsidiaries. As it is such a large organisation, decisions take longer to flow through to completion as they need to be presented at Board meetings. All documents need to be translated, which is time

consuming and very costly. Third, the distance, language and customs have sometimes slowed progress. When negotiations have reached a certain level, face-to-face meetings are needed to complete the deal. However, it has proven exceptionally difficult to bring all the producers together in one place; the producers are involved in other commitments in other countries. Substantial effort has been put into this project since 2010; however, no one can guarantee that it will be produced.

7.6 Discussion

Australia-China coproductions exemplify China's peripheral minor transnationalism. These films are marginal compared to films made in China and with major partners from Hong Kong, US and East Asia. Yue (2014:200) notes that such a junior partnership has benefited the Australian industry and increased trade with China; more Australian films have been released in China, and more post-production related activity has happened. Yue (2014:201) identifies Australia's national distinction to be a more 'specific post-colonial and multicultural frame, distinguishing itself as a Western nation in an Asian region with a history of Chinese migration'. I partly agree with Yue that more of these types of films in the future might contribute to build an identity for Australia in China. However, currently, Australia is still looked on as 'part of the universal West' (Yue 2014: 201), and Australia-China coproductions are viewed as West-China hybrids.

Few West-China hybrid films have achieved success in both foreign and Chinese markets at the same time. Two Australia-China related films that were not made under the Sino-Australian treaty are exceptions. As a wholly Australian production without Chinese money and no eye on the Chinese market, *Mao's Last Dancer* has been appreciated internationally for its artistic achievement. This independent film, in English with a Chinese theme, earned US\$5m in the US and over US\$22m worldwide, in comparison with the poor performance of most Chinese films internationally (Rosen 2011). Films that portray negative images of China seem to be more popular in the West. Although it tells a Chinese story, this film was aimed at the Anglophone market. The filmmakers did not need to submit the project to Chinese censors, and had more creative freedom as a result.

The other film is *Bait 3D* – a shark in a flooded supermarket thriller. The film earned over US\$20m in China in 2013. This film was made under the Australia-Singapore coproduction treaty, with significant investment from China's Yunnan Film Group and Enlight pictures.

These two companies were responsible for distribution in China, enabling the film to be released on over 1700 screens (Screen Australia 2013d: 5). The film opened poorly at the Australian box office (Swift 2012). The cost of the film was about AU\$20 million. It earned over AU\$40 million at cinemas worldwide, and the Chinese market created around AU\$27 million (Groves 2013). Although the film earned a big gross in China, it was imported into China as a flat fee film, meaning that the Australian side did not receive payment. Arclight Film's Gary Hamilton, the producer of this film, changed the partner to China to codevelop a subsequent project. The follow-up, retitled *Deep Water*, told a shark in a plane story – a plane mysteriously crashes into the ocean on its way to China. The film was put on hold during the preproduction stage, as Gary Hamilton said, 'out of sensitivity to the Malaysia flight situation; we've decided to put it on pause for now' (Brzeski 2014). But what we can tell from the success of *Bait* in China is that this thriller appeals to China's Hollywood market.

As mentioned in Chapter Two, the Chinese market is mainly occupied by two types of film. Half of the box office comes from Chinese-style films, which include the pure domestic film and joint productions with Hong Kong, Taiwan, East Asian countries, US and other countries; and the other half is occupied by Western-style films, mainly Hollywood-style films. Australian producers must decide on their target market before approaching China with a proposal. For most Australian producers Western films will be their choice. In Sino-US joint production we have seen how American blockbusters are trying to incorporate Chinese elements. But, at the same time, those blockbusters targeting global audiences are very cautious about the amount of Chinese element in the whole film as they do not want to lose their original flavour. How will *Stone Forest* and *Bait 2* perform in the Chinese market and internationally if they can be produced? What kind of Western-style film will help Australian producers to succeed in China? These questions merit further research in the future.

Some Australian producers are practicing Chinese theme coproduction films. Mario Andreacchio's project with China (*Gold Road*) is a Chinese themed adventure story about a troupe of Chinese acrobats walking through the Australian bush from South Australia to the Victorian goldfields. Other Australian producers were born in China and educated by their Sinophone parents with Chinese philosophy. They speak Chinese and understand Chinese society and Chinese culture. Jeff W Tseng, the director of PixelFrame, based in Brisbane, is one of them. Tseng was born in Taiwan and migrated to Australia when he was a teenager. He has made many cooperative projects with Chinese film companies and possesses great

guanxi (social capital) with the Chinese film industry and much inside knowledge of it. Currently he is preparing for a Chinese themed story focusing on a hotly debated topic – studying abroad. From his point of view, the reason why there has not been a successful Sino-Australian coproduction is because most Australian filmmakers seek only to earn money from China rather than trying to understand the Chinese market (Tseng 2013).

Conclusion

This thesis set out to investigate the intricacies and complexities of international film coproduction in China in the context of the country's dramatic economic growth and the Chinese government's desire to wield greater cultural influence – or soft power – internationally. The rise of China was achieved on the basis of the country becoming the world's centre for low-cost manufacturing. China has been largely successful in leveraging this kind of growth through strong management and control of foreign investment in China through joint-ventures, and knowledge and technology transfer requirements and strategies. When it comes to China's projection of soft power, however, the task has been more challenging, even though the ambition to succeed has been, perhaps, greater.

The Chinese government has deployed a variety of soft power strategies in recent years. These strategies include promoting its political values by directly funding educational and commercial projects in Africa and Latin America, to establishing global news agencies and television channels (Xinhua and CCTV) and academic centres (Confucius Institutes). China's soft power push and its effectiveness, or lack thereof relative to its other successes in economic and military growth, has received considerable journalistic and academic attention both inside and outside China (Shambaugh 2013; Nye 2005a; Nye 2012; Moss 2013; Keck 2013; Chua 2012; Sun 2010). Film coproduction as a vehicle for promoting Chinese film and culture around the world has become more of a focus for both the government and the film industry in recent years as a highly ambitious, attempted counterweight to the influence of Hollywood and American soft power, and as a mechanism to upgrade China's film industry value chain. This thesis has shown that the projection of China's soft power through international coproduction, however, remains very much a work in progress.

This thesis has examined the history and current dynamics of Chinese film coproduction, engaging literature on both soft power, in general, and international film coproduction, in particular. It has sought to answer these research questions: what is the place of film coproduction in Chinese soft power strategies and ambitions? How successful have China's film coproduction activities been in addressing its soft power objectives, particularly focusing on the past decade? What have been the motivations of non-Chinese parties in coproducing, given they face complexity, bureaucracy and active censorship in dealing with China? In

conclusion, I summarise the answers to these questions developed through the thesis, showing how they contribute originally to our disciplinary knowledge.

By examining the incentives and challenges for selected territories to coproduce with China, I analysed the extent to which the Chinese coproduction strategy functions as a form of soft power designed to compete with both regional and global rivals. By looking at the connotations and evolving process of China's pursuit of soft power, Chapter One examined how film coproduction plays a significant role in the general thrust of soft power. Chapters Two and Three focused on why Chinese film lacks international success and why coproduction has been considered to be a viable way forward. Chapter Four examined coproduction policies and procedures for international filmmakers to work in China. I then used three case studies to analyse different aspects and experiences of the coproduction process: China-Hong Kong (Chapter Five), China-US (Chapter Six), and China-Australia (Chapter Seven).

1. Contribution to Knowledge

International coproduction has become a focus of policy and industry debate in mainland China. Yet few scholarly works, in either English or Chinese, have addressed these developments. This thesis has contributed to an understanding of the current environment for film coproduction in China, as well as the history of Chinese film coproduction and three types of international collaboration. Utilising my native Chinese language skills, I undertook close analysis of Chinese policy documents and processes in order to describe and discuss the various restrictions and challenges faced by foreign parties seeking to work in China, including strict censorship, government intervention, unclear regulations and underdeveloped industry mechanisms. This has rarely been a feature of English language scholarship and journalistic commentary.

Discussion of China's soft power has typically focused on foreign policy, political values and broad cultural aspects. This thesis differs from this view through its argument that popular culture is the critical shortcoming in China's soft power exercise; for example, film could contribute to the enhancement of China's cultural profile around the world if filmmakers were able to harness the opportunities provided by coproduction. Since former president of China Hu Jintao proposed, at the 17th Communist Party Congress, that the promotion of China's 'cultural soft power' become a national strategy and encouraged the development of

cultural soft power compatible with China's international standing, Chinese policy and industry players have made a concerted effort to ramp up its global cultural presence. However, China's cultural presence is still very underdeveloped in comparison to its regional neighbours. "Korean wave" and "Japanese cool" have swept through the East Asian region, and Korean pop and Japanese anime are known around the world. These popular culture elements easily transfer across nations. Chua coined the term "soft power competition" to describe how East Asian countries like Korea and Japan have used popular culture exports to positively influence the opinions and attitudes of transnational audiences. The cultural presence of soft power engendered by popular culture offers China a strategy to becoming more competitive, Chua argues. But the Chinese government has placed heavy emphasis on its traditional culture and heritage in its soft power strategy, founding Confucius Institutes around the world and promoting diplomacy principles based on China's traditional Confucian values. These actions, and the establishment of a global news agency, have been viewed by many people in the West as simple propaganda. As a result, there has been very little return from the investment (Nye 2012b; Shambaugh 2013).

Film has traditionally being regarded as a powerful tool for building soft power. By observing the United States' use of soft power through its entertainment industry complex, especially Hollywood, the Chinese government has enhanced the status of the film industry to it becoming a 'strategic industry'¹⁷ as discussed in Chapter Two. Huge studio infrastructure has been built to promote the development of the film industry and film "going out". However, Chinese films are hindered by cultural discount (Hoskins, McFadyen and Finn 2000); cultural models, ideas, language, and way of telling stories that are specific to China have prevented Chinese films being appreciated globally. I have argued in this thesis that the use of film as a tool of soft power needs much more than huge citadels of built infrastructure - a direct overhang from the strategy of China's rise through low-cost manufacturing at scale. It also requires soft skills – the skills to use universally understood forms, ideas, and stories to speak to audiences around the world. At the same time, coproduction serves as an effective way to transfer skills and know-how. People with much needed skills have been attracted to work in, or with, China because of the lure of the growing Chinese consumer market. This is China's trump card in its dealings with filmmakers from other countries, although, as I show in the three case study chapters, the

¹⁷ Guidelines on promoting the prosperity and development of the industry 2010

desire of the Chinese government and filmmakers for international success has not yet been fulfilled.

Audrey Yue, in her treatment of Sino-Australia coproductions, summarises some of the insights that may be gained through the study of film coproduction. She argues that

Coproduction cinema studies provide a pertinent framework to examine the economic, governmental, institutional, technological and demographic changes. Coproductions are sites of competing national logics, constituted in and through different ideological intents and institutional practices. They are bound to questions of allocation, power and identity; and they question, among other issues, the promotion of national film prestige through excellence; distinction of national cinemas through globalization; and unequal international division of labour (Yue 2014:189).

By examining three representative case studies, using original interviews and analysis of both English- and Chinese-language documents, this thesis has outlined the historical, cultural, institutional and linguistic elements of Chinese coproduction. It described how these elements hindered or contributed to the development of international coproduction projects, and, in turn, how they hindered or contributed to the exercise of Chinese soft power.

The decline of the Hong Kong film industry and its traditional overseas markets since the early 1990s prompted Hong Kong filmmakers to engage more extensively with Chinese counterparts in order to gain access to the rising mainland market. As I outlined in Chapter Five, film coproduction offers substantial benefits and advantages to both mainland and Hong Kong filmmakers. The transfer of knowledge and know-how from Hong Kong, as Hong Kong directors moved north after the CEPA, contributed to the mainland film industry's successful transition from an infant industry to a more mature commercial industry. The soft skills learned from Hong Kong laid the foundation for the mainland's further cooperation with the US, and for the enhancement of China's soft power ambition. The Hong Kong case represents the longest standing of China's coproduction partnerships, and the most culturally proximate, but it is still a fraught relationship with ongoing distinct cultures.

By looking at Peter Chan's transition from Hong Kong filmmaker to Asian filmmaker to greater China filmmaker, I described how Hong Kong directors can display their professionalism and render genre films under the restrictive regulatory environment in China.

Chan exemplifies how Hong Kong filmmakers can grow gradually from being naïve about the rules that exist on the mainland, to a mature understanding of censorship that enables them to make their favourite genre films that are also adored by the market. In this exploration and adaption process – termed mainlandization – considerable compromises have been made by Hong Kong filmmakers to the demands of censors in order to gain greater access to the Chinese market. The mainlandization of Hong Kong films and filmmaking led to an identity crisis in the Hong Kong film industry, although experienced Hong Kong filmmakers have now learned to work with the shackles imposed by the Chinese government, and have gained privileged access to the Chinese film market as a result.

The China-Hong Kong case study concluded with a brief analysis of Johnnie To's experience. Initially, To insisted on maintaining his Hong Kong identity, before eventually compromising in order to coproduce on the mainland. His experience shows the irreversible trend of the Hong Kong film industry to merge with the mainland market. This thesis argues that the Hong Kong film industry is likely to be increasingly incorporated into the larger Chinese film industry, and will grow with it to become a component of an audio-visual super power in the future. The Sinicisation of Hong Kong films in order to access the mainland market has contributed to the development of the Hong Kong film industry and provides the means for the industry's continuing development. Though it accelerates the demise of the specific cultural identity of Hong Kong film due to the necessary compromises to the rules and taste of mainland audiences, the thesis argues that this is a necessary sacrifice, as the precondition of a cultural identity is the survival of the industry.

From 2002 to 2012, 68.5 per cent (n:293) of China's coproductions were with Hong Kong. Few of them achieved great international success, especially in the US and Europe. This thesis observes that Sino-Hong Kong coproductions have been less successful overseas than were Hong Kong films of the past. To match Hollywood and further deploy soft power through coproduction in the future, I have argued that deregulation is needed to release the creative freedom of filmmakers.

The Sino-US case study outlined a different set of challenges. Collaboration with the world's dominant film industry is different from collaboration with either Hong Kong or Australian filmmakers, since the United States has not entered into any legal binding coproduction agreements with other nations. By presenting the history of China-US collaboration from assisted production to joint production, I found that Chinese filmmakers are eager to learn

and are indeed learning through joint productions, while the US is conceding some ground to achieve its market ambitions. Historically, most China-US collaborative projects have involved Chinese filmmakers and companies in providing assistance to US producers working in China. Since the early 2000s, more joint productions have been made between private film companies from the US and China. From 2002 to 2012, Sino-US joint productions were few in number, accounting for only 8.6 per cent (n: 37) of the whole Sino-Foreign coproduction volume.

Though the number of Sino-US joint productions is very small, these films have been the principal contributors to Chinese success in overseas film markets, especially in western markets. The thesis demonstrates that Chinese filmmakers need to work with US filmmakers to access the global film market and, ultimately, to enhance its soft power, while US filmmakers need to work with Chinese filmmakers to gain access to the Chinese market. I also describe the phenomenon of fake coproduction, whereby American filmmakers almost arbitrarily insert Chinese elements into their films in an effort to circumvent the restrictions on foreign films' access to the Chinese market. Access is restricted visibly by the import quota and invisibly through the strategies of SARFT and the China Film Group to protect domestic players. When SARFT sensed that American filmmakers were attempting to take advantage of the booming Chinese market rather than doing real coproduction with China, access was further restricted by the tightening of coproduction policy. By examining films such as *Iron Man 3* and *Transformers 4*, this thesis illustrates the delicate balancing act played by Hollywood studios in trying to cater to American and global audiences while also pleasing the Chinese government and Chinese audiences by adding positive Chinese elements. The thesis argues that the Chinese government is using the lure of the size and potential of its domestic market to induce Hollywood's cooperation. In return, the government is seeking to send a more modern and favourable image about China to the world through Hollywood's global reach. The Chinese government's efforts to improve its soft power globally by taking knowledge capital from Hollywood has started to pay some dividends, although China's soft power strategies are tested to their limit in dealings with the US.

The deep cooperation in terms of creative, financial contribution and production encouraged by the Chinese government is full of hurdles due to language differences, cultural distance and differences in film industry mechanisms. While China-led joint productions have been granted approval by SARFT more readily, as they usually tell Chinese stories or are full of

Chinese content, these productions rarely translate to good box office returns overseas. The interesting finding here is that while real coproductions, even those led by China, are not easy to achieve and the finished ones are with less international influence, the fake coproductions, with positive Chinese elements, are more popular in China and elsewhere than China's own films or for China-led real coproductions.

The Sino-Australia case study described collaboration under a formal treaty. The Sino-Hong Kong and Sino-US cases are less formal. Although the CEPA privileged the Hong Kong film industry by removing quota restrictions, the CEPA cannot be regarded as a formal coproduction treaty. Similarly, no agreement focusing on coproduction has been signed between China and the US. Australia, with its relatively small film industry and domestic film market, represented a junior partner compared to Chinese partnerships with those bigger film industries in the US, Hong Kong SAR, and East Asia. China-Australia film coproduction is very limited; only five coproduction films have been made to date, with only three made under the treaty, making up 1.2 per cent of the whole volume.

This thesis argues that Australia's need for China as a partner is much greater than China's need for Australia. The biggest beneficiaries of the treaty have been the second tier filmmakers from both China and Australia, who have used this opportunity to learn how to internationalise their productions. However, developing a coproduction between China and Australia is much harder than it is for those between China and Hong Kong or the US. The main reason, as argued in this thesis, is the doubly complex bureaucratic nature of the process which constrains creativity and freedom and does not counter the cultural distance. There are other reasons, though, such as piracy, China censorship, Australia's lack of financial resources to pursue and build business relationships with China. And there are yet more obstacles in such areas as obtaining quick finance to close deals or setting a slate of projects to make best use of the resources built by the first collaboration; these being deeply grounded in the Australian screen industry rather than China's. Therefore it is no surprise that low output and low profile China-Australia coproductions have been marginal so far, in contrast to China's coproductions with big film industries like Hong Kong and US.

The thesis further observes that, though it is in a junior partnership, Australia's film industry still benefits from coproducing with China through trading and network film capital building. The Chinese government's soft power strategy has been made manifest in these cases (put

onto paper by signing film coproduction treaty with Australia), however, they have added little to China's international soft power credentials due to their limited influence abroad.

The findings of the case studies illustrate that China's coproduction strategy as a form of soft power enhancement is far from successful. While the Hong Kong film industry is likely to be integrated into the Chinese film industry, collaborations with the US and Australia to deploy soft power still have a long way to go, although substantial progress has taken place.

The efficacy of China's soft power strategy is undermined by the degree of control of the Chinese state over its media. In comparison with its main 'soft power competitors' (Hollywood and Korea), the state intervenes in all aspects of content production, most notably through censorship. The three case studies looked at the challenges that hinder coproduction mainly from cultural and industrial perspectives. However, the fundamental problem, as discussed in Chapters One to Four, is institutional, namely, the tension between artistic freedom and censorship. In terms of film, censorship, though a shackle to film talents, is ultimately a domestic content regulation strategy; that is, China does not have a film classification system. If it did, it would be able to expand its genres. Coproduced works, especially China-Hong Kong productions are mostly consumed by Mainland Chinese audiences. Censorship filters out elements that might be challenging or ambiguous for Mainland audiences. This in turn impacts on their marketability outside China where audiences are more sophisticated. Even when attempting to become an international movie power, the same thinking model is adopted: films are meant to take 'socialist core values as a guide' and 'contain more elements of the Chinese Dream' (Liu, cited in Rosen 2015). As Yingchi Chu (2014) has argued, government intervention into the creative process undermines the potential of Chinese film to win over audiences globally, which have their own 'expectations' of Chinese culture, politics and society.

At the moment it can be argued that Hollywood's interest in China is motivated by money. But despite the slate of co-productions that are being signed off, it will be a long time before China can compete. Controlling may be further loosened when the state feels stronger and safer in the ideological sphere. This is unlikely to happen soon.

2. Limitations and implications for future research

China is increasingly cooperating with other counties in areas dealing with media. The approach and findings of this thesis can be tested through their application to other media such as television, animation and social media. Film coproduction is the crux in understanding media cooperation in China. Thus, this investigation can be further extended to other media areas.

This thesis only limited itself to three case studies. However, increasingly, media cooperation is spreading throughout the East Asian region. In terms of film coproduction, the China-Korea and China-Japan cases are worthy of further investigation, due to cultural proximity and the intense regional competition for soft power influence. Notable scholarship in this area of study have included Yecies (2014) focusing on Korea-China coproduction and transfer of technology and DeBoer (2014) focusing on Japan-China coproduction to understand the significance of film and media coproduction in East Asia. However, these works do not deal with the soft power dimension, although a current project '*Willing collaborators: media production in East Asia*' focuses on media cooperation in East Asia (Keane 2015).

Transfer of knowledge and know-how are fundamental reasons for coproduction. This thesis only limits itself to examining the preconditions for these transfers to occur. A worthy future study would be in documenting these transfers in the coproduction process and examining how these transfers ultimately affect the development of the industry and soft power enhancement. In order to do so, more interviews with industry people from both sides would be needed. Future research could also engage with ethnographic fieldwork in a coproduction project to examine what kind of soft skills are being transferred and how these transfers are affecting the thinking of industry people.

This thesis focuses on the film industry and uses the concept of soft power to frame the whole thesis. Future research could investigate how audiences respond to films by conducting audience interview and using quantitative analysis to understand how much the coproduced film, or the positive Chinese elements, contributed to a better image of China. Further, a study could focus on the kinds of Chinese elements that are treated by audiences as propaganda information, or how much, or perhaps a study into what works in China's favour. The measurement of soft power is very tricky. The intangible quality of the constitution of soft power – culture, ideology – is difficult to measure. Nye proposes to ask people questions

through polls or focus groups to measure if a particular asset is a soft power resource (cited in Huang and Ding 2006:24). Interviews and questionnaire surveys can both be used for this purpose.

In summary, this thesis revolves around China's film coproduction, in the context of the Chinese government's embrace of soft power, especially cultural soft power, aiming to increase China's global cultural presence and to enhance its international image. It is believed by many people, and the government, that the five thousand years of Chinese history, full of cultural resources and traditional values, can become an advantage in soft power competition. I agree, but that heritage should be transferred in a modern and smart way. The traditional Chinese values are not unique to China; they are comprised of universal attributes of love and respect for oneself, for people around us and for nature. However, these values and the Chinese stories that go with them need to be told through a universal code (popular culture) for people who speak different languages, who have different religious beliefs, and who have different customs. This is the first step in making Chinese culture attractive to foreign audiences.

From my point of view, film is an excellent medium for projecting a universal code, better than other popular culture categories such as music, television, animation. It is constructed with thousands of pictures reflecting a real world, and each picture speaks more than a thousand words. This is the reason I chose film coproduction to research in relation to soft power. Soft power is a very intangible and abstract concept. This thesis approaches it from the industry perspective, from the opportunities that create it or the real obstacles and challenges that hinder it. This thesis mostly positions itself from a foreigner's perspective. Networking, for foreigners, is the most important aspect of coproducing in China, next to understanding Chinese culture and market conditions. Most coproductions currently in progress are based on networks that were built previously. Hong Kongers are legally foreigners but culturally Chinese, which provides them with the best key for unlocking a secure and functional network for achieving success. For Americans from the big studios, their companies speak for themselves. For Australians and second tier American independent filmmakers intending to explore coproduction opportunities with China, building network film capital is the first step.

Though the film market is booming and it attracts many filmmakers looking for opportunities to coproduce with China, it can take decades for finished works to be released. This

postpones further networking and compromises the speed at which China's film mechanisms are improved. China's soft power lags far behind the US and also a long way behind Korea and Japan. However, film coproduction is expanding China's global cultural soft power footprint; it is the first step in the long uphill march that lies ahead.

Appendix: Interviewee details

Tony Zhang. Vice General Manager (DMG Entertainment) / GM (Film &TV Investment Talent Mgmt). (2014, July). (W. Peng. B. Yecies Interviewers) Beijing

Wu Nan. Director Asia-Pacific of China Film Promotion International. (2014, July). (W. Peng. M. Keane. B. Yecies Interviewers) Beijing

Wang Jun (Allen Wang). Senior Partner of Yingke Law Firm. IP & Entertainment Lawyer. (2014, July). (W. Peng. B. Yecies Interviewers) Beijing

Miao Xiaotian. President of China Film Coproduction Corporation (CFCC). (2014, July). (W. Peng. M. Keane. B. Yecies Interviewers) Beijing

Xu Shujun (Susan Xu). Vice President of CFCC. (2014, July). (W. Peng. M. Keane. B. Yecies Interviewers) Beijing

Geng Ling. General Manager of Soundfirm. (2014, July). (W. Peng. M. Keane. B. Yecies Interviewers) Beijing

Wan Long. American-Chinese Independent producer. (2014, July). (W. Peng Interviewers) Beijing

Chris Oliver. Manager of Screen Australia's Manager Partnerships. (2014, April). (W. Peng. M. Keane Interviewers) Brisbane

Defrim Isai. Australian Independent producer. (2013, December). (W. Peng Interviewer) Brisbane.

Nicholas McCallum. (2014, January). Director of njm Worldwide. (Co-Founder of Southern Light films Australia). (W. Peng Interviewer) Brisbane.

Lynda Woods. Private Client Adviser of Morgans Financial Limited. Producer of njm Worldwide. (Co-Founder of Southern Light films Australia). (2014, January). (W. Peng Interviewer) Brisbane.

Timothy White. Australian Independent producer. Co-Founder of Southern Light films Australia. (2014, January). (W. Peng Interviewer) Brisbane.

Jeff Wei-Shun Tseng. Co-founder and CEO of Pixel Frame Australia. (2013, December). (W. Peng Interviewer) Brisbane.

Elle Croxford. Business Development Longform Production of Cuttingedge. (2013, December). (W. Peng Interviewer) Brisbane.

Job titles are correct as at date of interview.

Appendix

The cultural innovation timeline

Stage/theme	Strategic form
Standardized production	Subcontracting (fashion, animation, software, toys, furnishings, electronics)
Imitation	Import substitution, local versions and cloning
Collaboration	Co-production and various forms of sharing knowledge
Trade	Beginning of soft power strategy; breaking out of domestic constraints
Clusters	Attempts to harness soft power by industrializing culture
Creative communities	Borderless social network markets; reaches domestic and international online audiences

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